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United States Department of State
Bureau of International Narcotics Matters

International Narcotics Control Strategy Report

March 1992

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Bureau of International Narcotics Matters

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COMMON ABBREVIATIONS

CBRN	Caribbean Basin Radar Network
DEA	Drug Enforcement Administration
ESF	Economic Support Fund
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
INCSR	International Narcotics Control Strategy Report
INM	Bureau of International Narcotics Matters
JICC	Joint Information Coordination Center
MLAT	Mutual Legal Assistance Treaty
NBRF	Northern Border Response Force
NDPB	National Drug Policy Board
NNICC	National Narcotics Intelligence Consumers Committee
OAS	Organization of American States
OPBAT	Operation Bahamas, Turks and Caicos
UNFDAC	United Nations Fund for Drug Abuse Control
USAID	Agency for International Development
USG	United States Government
ha	Hectare
HCl	Hydrochloride (cocaine)
kg	Kilogram
mt	Metric Ton

EXECUTIVE SUMMARY

POLICY AND PROGRAM DEVELOPMENTS IN 1991

March 1, 1992

In 1991, for the second year in a row, the USG-led anti-drug effort registered important gains. The most salient progress occurred in the Western Hemisphere, where governments stepped up their coordinated campaign against the cocaine cartels. By year's end, several important indicators showed that the effort was paying off: coca cultivation was down, U.S.-bound cocaine seizures reached an all-time high, and traffickers came under greater pressure. There were also important advances in international cooperation to attack money laundering and control drug-processing chemicals.

Total land devoted to coca cultivation fell from an estimated 211,800 ha in 1990 to approximately 206,000 ha in 1991, a significant decline when one considers that until 1990 the trend had been upward, in some countries increasing annually by as much as 20 percent. At the same time, cocaine seizures surged ahead, as key governments struck harder at the trafficking organizations.

The results have been impressive. Not counting USG seizures, Western Hemisphere countries seized over 180 mt of cocaine HCl and base. Two countries, Colombia and Mexico, seized over 130 mt of cocaine, a quantity which would be worth approximately *$13 billion* on the streets of the US, more than the total U.S. drug budget. In addition, Mexico undertook major enforcement and eradication efforts, with significant results scored against the domestic opium and cannabis crops.

More important than the numbers, however, is the expression of political will which they represent. As the USG has recognized in its National Drug Control Strategy, the key to a successful counternarcotics effort is commitment. No campaign against drugs can succeed unless the governments of the affected countries view the effort as essential to their own national security. Encouragingly, actions of many countries indicate that more governments are recognizing this truth.

In 1991, despite serious internal political and economic problems, the governments of the principal cocaine producing and transit countries showed much greater determination to challenge the criminal drug trade's threat to their authority. Many national legislatures enacted stronger laws against drug crimes.

Governments took more effective action to make it difficult for traffickers to launder money or import the chemicals necessary for drug processing. More countries worked to bring their laws into compliance with the norms of the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances--by the end of 1991, 55 countries had ratified the Convention.

We are, however, a long way from declaring victory. Drug-related corruption, fed by the enormous profits of the trade, continued to sap the strength of governments already weakened by economic problems, political instability, and social unrest. In spite of serious losses in seized drugs, at the end of 1991 the traffickers remained well entrenched, well armed, and well financed. Significant surpluses in production plus the incredible scale of financial resources available to them mean that the traffickers enjoy the flexibility to absorb shocks and to manipulate the market to control the normal supply-demand equation. Moreover, the traffickers are only too willing to resort to any type of violence to protect their interests and to use their financial resources to corrupt whole societies. There was, nevertheless, substantial progress.

The critical element in eliminating the trafficking organizations is persistence. We must sustain operations and actions over time, for it is the cumulative effects of our integrated approach rather than any single action that will achieve ultimate success. The thrust of our strategy is to raise the stakes, the cost of doing business. There is no question that--in the Western Hemisphere--the collective anti-drug effort gained substantial ground in 1991.

The measures of this effectiveness are both quantitative and qualitative. The dramatic increase in seizures this year is the result of better organized, more sustained operations within individual countries, regionally, and internationally. Better intelligence and information sharing, better training, the flow of U.S. assistance in the Andes, and the commitment of local governments have enhanced the capability of local counternarcotics forces to take more focused and coordinated operations, particularly in Bolivia and Colombia. As a result, scores of key traffickers are in jail or on the run, and their financial networks are under stress, with millions in assets forfeited.

More effective national and regional interdiction operations not only made record seizures, but also forced the traffickers to reassess their methods. Qualitatively, the increased levels of effort testify to the underlying political will, despite numerous obstacles, that must support effective action. We are seeing better bilateral cooperation and a greater degree of multilateral efforts.

No industry, however, that is as large and diversified as the cocaine trafficking enterprise is vulnerable to short-term or simplistic solutions. No organization as ruthlessly committed to its own survival or as well funded as the drug trade will easily give up. Success depends upon sustained effort, commitment and will, and coordinated action. The results of the past two years underscore that we are building the enduring, international effort--the international anti-drug cartel--that is critical to ultimate success.

National Will vs. Drug Corruption

Critics of the international anti-drug effort often fail to recognize the extraordinary nature of the struggle. The trafficking organizations, particularly the cocaine drug lords, possess unprecedented wealth, with a corresponding capacity and willingness to use these riches to protect their interests, even to the point of challenging governments. They have enormous power to corrupt, particularly in countries with weak judicial systems and high levels of violence.

At its most basic level, the "drug war" in those countries is a clash between drug corruption and national will. One should bear in mind that drug-financed corruption is an unusually virulent force. There is no recent historical precedent for the threat which it poses. In modern times, there has been no single commodity capable of putting such vast wealth immediately into criminal hands. The drug trafficking cartels have access to resources available to few national governments. They have the means to raise hundreds of millions of dollars in a very short time. And, unlike governments, they do not have to account to any national authority in order to spend their money. This wealth gives the trafficking organizations an enormous capacity for undermining legitimate governments. With billions of dollars available to them, in theory traffickers and insurgent groups no longer need engage in bloody revolution to mount a coup d'etat. They could simply buy themselves the government (including the legislature) of a country through bribes to the appropriate political and military leaders.

Fortunately, what makes this scenario unlikely is *national will*, that is, the expression of national honor, supported by political commitment. The fact that so many countries are taking serious measures against the drug trade indicates awareness that the battle between national will and drug corruption is a zero-sum game with high stakes. If there is any single encouraging sign of progress in the decades-long effort to turn back the drug tide, it is this expression of national will.

What is progress?

The pivotal role of national will means that one cannot measure success in absolute, quantitative terms. One must judge progress according to what a government can reasonably accomplish in given circumstances. For example, if despite intensive control efforts an illegal crop has been expanding at an annual rate of 20 percent, reducing that expansion rate to 10 percent represents important progress. Halting or reversing the expansion is success.

The same is true of drug interdiction efforts. As a measure of effort, relative increases in seizure rates in countries where we know significant drug trafficking occurs are as important as the absolute total of the seizures. Seizure rates which increase every year are a significant measure of progress in two ways: they remove valuable cocaine from the market and they indicate a government's increased level of commitment. The key is to encourage governments to recognize that they are attacking the drug in their own self-interest, not to appease or obtain assistance from other governments.

In our efforts to curb and eventually end the illegal drug trade, we must not only focus on the drug cartels and corrupt officials who serve them. We must also engage the host governments to transform the economic conditions which impel poor farmers and urban unemployed to seek their fortune in a "green gold rush." Andean governments are reluctant to undertake programs that directly affect the livelihoods of these people, lest they create potentially violent confrontations. Success must be built on cooperation and a shared sense of purpose and commitment. It requires a significant program of economic assistance, as well as improved trade and investment opportunities. Building that environment has been one of the essential features of our effort, and it too has paid a return on the investment.

In practical terms, this means that no government can eliminate an illegal (but indirectly profitable) drug crop if the ensuing chaos threatens a national revolt. Nor can it attack drug traffickers effectively, if it means shifting forces away from the immediate danger of a political insurgency. The role of the USG and other donor governments is to broaden the options of foreign governments so that they are not forced to make these choices.

This is what the U.S. national strategy has achieved in the past year in the Andes and elsewhere: the cooperation of other governments and international recognition of the need to control illegal drugs, the chemicals used in their making, and the financial resources derived from them. The success of numerous, complex operations indicate that we are making progress toward an important national goal.

COCAINE

Cocaine still poses the greatest immediate threat to the United States. Despite the decline of cocaine and crack use among younger sectors of society, cocaine remains the most pervasive drug on the U.S. market. Cocaine's ready availability, particularly in its most addictive and affordable form, crack, requires the USG to address the grower-to-user chain at every link, from the coca growers in Latin America to the pushers on the streets of American cities.

The USG has registered its most important gains in confronting the cocaine trade. For the second year in a row, the USG and its allies have inflicted significant damage on the cocaine trafficking organizations. Thanks to coordinated efforts among the Andean countries, coca cultivation is less, while the volume of seizures has risen. By any measure, this means less cocaine will be available to the consumer. The seizure record is particularly impressive. Although all countries have not yet provided full-year statistics, we estimate that countries of the Western Hemisphere alone seized more than 170 mt of cocaine. If we include seizures by USG agencies and others, this figure could well reach 300 mt.

Colombia's successes stand out. The Gaviria Government broke its own record in 1991 by seizing almost 87 mt of cocaine base and HCl, a 63 percent jump over 1990's total of 53 mt. This reflects increased operational capability, more focused operations, and better coordination with the military. It also underscores the commitment of the government to sustain the effort against the traffickers, despite the potential for violence. This is not all.

Colombian coca hectarage dropped 7 percent, from 40,100 ha in 1990 to 37,500 ha at the end of 1991. The jailing of Medellin cartel chief Pablo Escobar under a plea-bargain with the government was also an important step toward reining in the traffickers. The USG remains concerned, however, over reports of Escobar's ability to conduct cartel business from his prison complex.

In **Bolivia**, the government's eradication efforts brought down coca hectarage to its lowest level in four years. While the eradication program achieved only 85 percent of its goal, government efforts have brought down the size of the crop from the high of 52,900 ha in 1989 to 47,900 in 1991, a 10 percent decline in a crop which had increased by 30 percent between 1987 and 1989. This steady advance highlights the importance of a regular eradication program in controlling the size of a crop which produces an illegal drug.

Peru remains the country where counternarcotics advances met the greatest obstacles. Continuing terrorism, economic upheavals, and widespread corruption hampered the Fujimori Government's effectiveness in attacking the cocaine trade. Government actions, however, did bring about a slight decline in the world's largest coca crop, as hectarage fell from 121,300 ha in 1990 to 120,800 ha in 1991. This fact, however, reverses the upward trend of previous years. Peruvian authorities also eradicated a considerable number of seedbeds, removing the equivalent of 13,500 ha of potential coca out of production.

Mexico and the countries of **Central America** stepped up their law enforcement and interdiction efforts to cope with an increase in cocaine traffic across the region. In 1991, Mexican authorities broke the country's 1990 seizure record of 48.5 mt by confiscating over 50 mt of the drug.

The Salinas Government continued its campaign against drug trafficking and drug-related corruption through improved enforcement and legislative reforms. The Northern Border Response Force (NBRF), working closely with USG agencies, was responsible for 75 percent of the cocaine seized. Moreover, NBRF operations have successfully pushed the traffickers away from the U.S.-Mexican border, and in conjunction with U.S. efforts have stopped direct flights of drugs into the United States. Mexico also achieved significant reductions in its opium and cannabis crops.

Law enforcement authorities in most of the Central American countries improved their cocaine seizure records. In **El Salvador**, seizures jumped to over 3 mt in 1991 from 156 kg in 1990. **Guatemala's** seizures remained at about the same level as in 1990, while **Panama's** total more than doubled, from slightly less than 4 mt in 1990 to 9.3 mt in 1991.

Intensified cooperation between the USG and the governments of key **Caribbean** countries has brought about a significant drop in drug-related air traffic, as the cocaine cartels shifted air routes to Central America in order to avoid improved surveillance in the Caribbean. USG cooperation with the Government of **Jamaica** in radar surveillance helped deter narcotics-related flights through the region. At the same time, thanks to cooperation from the Government of **The Bahamas**, cocaine seizures in and around the islands climbed from 3.5 mt in 1990 to 5.3 mt in 1991. **Suriname** remains a focus of concern amid reports that significant quantities of cocaine transit the country to Europe and the United States. The country's seizure level dropped from slightly over a metric ton of cocaine in 1990 to approximately one tenth of that amount in 1991.

OPIUM AND HEROIN

While cocaine and crack pose the greatest immediate danger to American society, heroin continues to be a great concern. As more Americans, particularly young people, turn away from cocaine, heroin suppliers are poised to fill the gap. Unlike crack and other stimulants which soon burn out their addicts, heroin is a depressant which can be used over much longer periods of time. It is also considerably more lucrative than cocaine. For example, where a kilo of cocaine might bring $20,000 wholesale, a kilo of heroin might bring $200,000. Heroin can also be smoked or sniffed, lessening the need for hypodermic syringes.

Another disturbing sign that some traffickers view heroin as the drug of the future is the further spread of opium cultivation into the Western Hemisphere. In 1991, for the first time, Colombian authorities were able to confirm reports of opium poppy growing in the southern Andean region. Although they conservatively estimate the hectarage at 2,300 ha, it may well be much higher.

International efforts to reduce the flow of opium and heroin have been less successful than the campaign against cocaine. Most of the world's opium grows in countries such as Burma, Afghanistan and Iran, where the USG and other governments attacking the drug trade have little or no influence. Cultivation in Burma is so extensive that Burma alone could supply much of the world's heroin demand. In areas where the United States is able to work with the local government, such as Thailand, Laos, and Mexico, we have seen declines in cultivation. Indeed, in the case of Burma, the major increases in opium production have been in those areas where before 1989 the USG had supported eradication efforts. This expansion indicates that our earlier eradication program did have an effect in holding down total opium poppy cultivation in Burma.

In **Southwest Asia**, government efforts to control opium production have not kept pace with an expanding opium poppy crop. While government authorities in **Pakistan** extended an opium poppy cultivation ban to new areas, good weather and better farming techniques raised estimated production approximately nine percent to 180 mt. Although the Government of Pakistan began to take stronger actions against drug trafficking, Pakistani interdiction activities had mixed results. While the police raided 3 heroin laboratories in the Northwest Frontier Province, they took no action against over 100 other heroin labs operating in the tribal areas of the Province. Opium production increased in **Afghanistan** in 1991 by approximately 37 percent.

In the Golden Triangle area of **Burma**, **Laos**, and **Thailand**, the region which produces nearly three-quarters of the world's opium, estimated opium production was up slightly over 1990's estimate. Most of the expansion took place in Burma, where areas sprayed by the previous regime have been allowed to revert to opium poppy cultivation. In Thailand, government eradication efforts reduced poppy hectarage by approximately 12 percent.

Since Burma is by far the world's greatest opium producer, the USG remains deeply concerned that Burmese Government actions against drug production and trafficking are ineffective. Seizures, while up slightly, remain insignificant. The USG continues to urge the Burmese to move against major traffickers allied with the Rangoon regime.

As a result of accommodations with the government, former insurgent groups controlled by these traffickers exercise security and militia functions--and continue to engage in the narcotics business without hindrance from the Burmese authorities--in the areas under their control. Regardless of advances elsewhere in the world, it is clear that unless the Government of Burma takes serious and effective measures against its opium producers and traffickers, the world's heroin supply will continue to increase.

NEXT STEPS

Through limiting coca expansion and increasing cocaine seizures for the second consecutive year, the collective anti-drug effort has begun to develop momentum. After enjoying a decade of expanding crops and virtually unlimited supplies of finished cocaine, the drug trade for the first time faces setbacks at four critical junctures: at the source, in processing, in the pipeline, and in the financial area.

Although the major trafficking organizations have the resources to absorb important losses over short periods of time, they cannot do so indefinitely. They can only thrive as long as there is a steady supply of drugs to give them the money they require to stay in business; and they can only remain viable with ready access to large sums of money. Every metric ton of cocaine which government action keeps out of the market means a potential loss of tens of millions of dollars in essential revenue to the drug syndicates, which, like their legitimate counterparts, finance their operations by borrowing against future earnings.

The formula is simple: no drugs, no money; no money, no drugs. Putting the formula into effect is more difficult. If we can cut off either or both of these basic elements long enough, in time we can put the drug cartels out of business.

In the short term, the next step is to accelerate the momentum of the past two years' activity. This must be a concerted movement. While the USG will continue to play a leading role in this process, other governments must also intensify their efforts individually and collectively to put the drug trade on the defensive.

This means working to reduce and ultimately to eliminate illicit drug crops. It means better internal organization and improved cooperation with other countries in the Chemical Action Task Force to deny the illegal drug industry the chemicals it needs to produce cocaine and heroin. It entails more active law enforcement efforts and judicial reforms to break up trafficking organizations and to keep drugs out of the pipeline, together with closer international cooperative action targetting traffickers' profits, i.e, effective asset seizure laws, less bank secrecy, greater multilateral cooperation in the Financial Action Task Force, providing producers with alternative forms of income and effective narcotics awareness, education, and prevention activities.

In the longer term, however, lasting progress depends on the commitment of the governments at greatest risk from the drug trade. Over the past ten years, we have seen an encouraging change in global attitudes. In the mid-1980's, when the USG began mobilizing international action against the cocaine trade, foreign cooperation was reluctant and erratic. The majority of drug producing and transit countries viewed the issue of drugs as a uniquely American phenomenon. They saw it as a symptom of a rich society's insatiable demand for a profitable drug which happened to originate in or pass through their countries. They felt neither responsible nor threatened.

That view has evolved dramatically over the past decade, but there is still a great need for a more independent commitment of national will. While all the affected governments now recognize in varying degrees the threat which drugs and drug-related corruption pose to their sovereignty, only a few have been able on their own to translate this recognition into effective, sustained action.

If there is going to be lasting progress, that situation must change. The USG will continue to provide the lead--and the bulk of the resources--in the international fight against drugs, but our partners must also redouble their efforts. Their national self-interest, more than their desire for foreign assistance, must determine national levels of activity against the growers, traffickers and insurgents who thrive on the drug trade. Above all, they must recognize and eliminate drug-related corruption--especially high-level corruption--before it undermines the basic integrity of the state.

In summary, the accomplishments of 1991 are proof that coordinated action is the key to crippling the drug trade and that solid results are possible. For the first time, trafficking organizations are seeing their assumptions challenged. Better cooperation means that the traffickers can no longer count on international disunity to provide them with a secure operating environment. Joint action is making it more difficult for the cartels to find alternate routes through more "friendly" countries, while exposure and removal from office of corrupt officials are eliminating their most valuable security guarantee.

If the international community strengthens the bonds of cooperation fashioned in 1991, it should be possible in the next few years to reduce the drug trade to the point where it no longer poses a threat to any country. That is the promise if we sustain the effort.

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METHODOLOGY

Methodology for Estimating Illegal Drug Production: How much do we know? This report contains tables showing a variety of illicit narcotics-related data. While these numbers represent the USG's best effort to sketch the dimensions of the international drug problem, the reader should be aware that the picture is not as precise as we would like it to be. The numbers range from cultivation figures, relatively hard data derived by proven means, to crop production and drug yield estimates, much softer figures where many more variables come into play. We publish these numbers with an important caveat: the yield figures are *potential, not actual* numbers. Although they are useful for examining trends, they are only approximations. They should not be treated as hard data.

Since information is lacking on yields, the numbers are subject to revision as more data becomes known. The nature of the illegal narcotics industry, in which the traffickers take great pains to maintain the security of their activities, makes it difficult to develop precise information. More so, when one considers the tremendous geographic areas that must be covered, and the difficulty of collecting reliable information in diverse and difficult terrain.

What we know with reasonable certainty. The most reliable information we have on illicit drugs is how many hectares are under cultivation. For more than a decade, the USG has estimated the extent of illicit cultivation in a dozen nations using proven methods similar to those used to estimate the size of licit crops at home and abroad. We can thus estimate the size of crops with reasonable accuracy.

What we know with less certainty: Where crop yields are concerned, the picture is less clear. How much of a finished product a given area will produce is difficult to estimate, since small changes in such factors as soil fertility, weather, farming techniques, and disease can produce widely varying results from year to year and place to place. In addition, most illicit drug crop areas are inaccessible to the USG, making scientific information difficult to obtain. Moreover, we must stress that even as we refine our methods of analysis, we are estimating **potential** crop available for harvest.

These estimates do not allow for losses, which could represent up to a third or more of a crop in some areas for some harvests. Thus, the estimate of the potential crop is useful in providing a theoretical, comparative analysis from year to year, but the actual quantity of final product remains elusive.

USG confidence in coca leaf yield estimates has risen in the past two years, based upon the results of field studies conducted in Latin America. Last year, after completing preliminary research, the USG for the first time began to make its own estimate of dry coca leaf yields for Bolivia and Peru instead of relying solely on reports from the governments of those countries.

This year we have calculated crop estimates using the mature plant method. At the same time, however, we are refining our estimates of both leaf yield and wastage to move closer to an estimate of what actual production might be.

Last year, the USG was able for the first time to distinguish between usable, that is, smokable marijuana yield and whole, dry plant yield in Mexico. This adjustment significantly reduced our estimate of the overall yield of the Mexican cannabis crop.

Additional research and field studies may help refine these new estimates and make similar improvements possible in estimates of other drug crops. **In all cases, multiplying average yields times available hectarage indicates only the potential, not the actual crop available for harvest.** Nor is there a reliable means to determine production, where many factors can alter the final total.

Harvest Estimates. Estimating the quantities of coca leaf, opium gum, and marijuana actually harvested and available for processing into finished narcotics remains a major challenge. We currently cannot accurately estimate this amount for any illicit crop in any nation.

While farmers naturally have strong incentives to maximize their harvests of what is almost always their most profitable cash crop, the harvest depends upon the efficiency of farming practices and the wastage caused by poor practices or difficult weather conditions during and after harvest. Up to a third or more of a crop may be lost in some areas during harvests.

In addition, mature coca, from years three to six, is more productive than immature or aging coca. Variations such as these can dramatically affect potential yield and production. Furthermore, if we continue to see limitations in the expansion of new coca we may begin to see dramatic declines in the next few years in productivity of existing fields. Factors such as this will produce fluctuations in estimates.

Additional information and analysis may enable us to make adjustments for these factors in the future. Similar deductions for local consumption of unprocessed coca leaf and opium may be possible as well through the accumulation of additional information and research.

Processing Estimates. The wide variation in processing efficiencies achieved by traffickers complicates the task of estimating the quantity of cocaine or heroin which could be refined from a crop. These efficiencies vary because of differences in the origin and quality of the raw material used, the technical processing method employed, the size and sophistication of laboratories, the skill and experience of local workers and chemists, and decisions made in response to enforcement pressures.

The USG continues to estimate potential cocaine production as a range based on processing efficiencies that appear to be most common. But we must stress that these estimates are still soft. We are currently undertaking a detailed study of this part of the cocaine production process.

The actual amount of dry coca leaf or opium converted into a final product during any time period remains unknown, given the possible losses noted earlier. There are indications, however, that cocaine processing efficiencies improved during the 1980s, and that traffickers still have considerable room for improvement. Nevertheless, increasing seizure rates eat into the future profitability of the industry, and raise the cost of doing business.

Figures will change as techniques and data quality improve. The reader may ask: are this year's figures definitive? The reply is, almost certainly not. Additional research will produce revisions to USG estimates of potential drug production. This is typical of annualized figures for most other areas of statistical tracking--whether it be the size of the U.S. wheat crop, population figures, or the unemployment rate--that must be revised year to year. For the present, however, these statistics represent the state of the art. As the art improves and as new information becomes available, so will the precision of the estimates.

* * *

STATUS OF POTENTIAL WORLDWIDE PRODUCTION

In 1991, largely as the result of weather conditions, opium poppy production rose by approximately nine percent, almost eliminating 1990's reduction over the previous year. Coca production is a more complex situation. While overall hectarage declined slightly, the USG's estimate of potential leaf production rose about seven percent because of coca planted which produced harvestable leaf for the first time in 1991. Since 1989 was the last year of major coca expansion, we expect to see a leveling off in leaf production next year, assuming that hectarage does not increase.

In weighing the figures below, one must bear in mind that they are theoretical. They represent an estimate of *potential* production, the amount which the USG estimates could have been produced *if, and only if,* all the available crop were to be converted into finished drugs. Since these estimates make no allowance for losses, actual production could be lower than our estimate. The figures shown are mean points in a statistical range.

Potential Opium Production. The estimate of potential opium production was up approximately nine percent in **Southeast Asia**. Except for Burma (where land devoted to opium poppies increased to 160,000 ha in 1991, up from 150,100 ha the year before), opium poppy cultivation was down in the Golden Triangle countries. Poppy fields under cultivation in Laos fell from 30,500 ha in 1990 to 29,625 ha in 1991, maintaining the downward trend, if only slightly. In Thailand, the 3,435 ha found in 1990 dropped to 3,000 ha in 1991.

Total estimated opium production for Southeast Asia rose from 2,565 mt in 1990 to 2,650 mt in 1991, a statistically insignificant increase. Estimated opium production in Burma rose from 2,250 mt in 1990 to 2,350 mt in 1991. Laotian production dropped from an estimated 275 mt in 1990 to an estimated 265 mt in 1991. Thai production dropped from 40 mt in 1990 to 35 mt in 1991, based on information from a December 1991-January 1992 opium yield study. A lower yield may also apply to Burma. If so, we will reduce the estimate of Burmese opium production accordingly.

There are preliminary indications that other countries in the region and in Central Asia may be capable of producing important opium poppy harvests. We expect to report on developments in these countries in next year's International Narcotics Control Strategy Report (INCSR).

The greatest increase took place in **Southwest Asia** as a result of an expansion of poppy cultivation in 1991. **Afghan** hectarage increased from 12,375 ha in 1990 to 17,190 ha in 1991, bringing Afghanistan almost back to its 1989 estimated hectarage of 18,650 ha. In **Pakistan**, opium cultivation increased slightly from an estimated 8,030 ha in 1990 to 8,205 ha in 1991. The USG calculates that Afghan potential opium gum production rose from 415 mt in 1990 to 579 mt in 1991.

In Pakistan, estimated production rose to 180 mt of opium, up from 165 mt in 1990. Afghanistan's 570 mt and Pakistan's 180 mt combine with Iran's estimated 300 mt for a regional estimate of 1,050 mt of opium, up from 1990's Southwest Asian total of 880 mt.

In the **Western Hemisphere**, there is progress generally, as the major opium producing countries intensified their eradication efforts. Unfortunately, heroin's profitability has provoked the spread of opium poppy cultivation to the Andes, although **Colombia** has taken vigorous countermeasures. In **Mexico**, where the government has intensified an already aggressive eradication campaign, opium poppy hectarage fell over 30 percent, from an estimated 5,450 ha in 1990 to 3,765 ha in 1991. The Mexican military was highly effective in its manual eradication program.

The success of Mexican efforts, however, stimulated growers in **Guatemala** to increase production. Thanks to an active eradication program by the Guatemalan Government, however, hectarage, which could have doubled, increased only 35 percent. Indications in the later part of the year, though, suggest that increased enforcement efforts by the government persuaded many farmers not to plant the fall opium crop. Eradication efforts found few new fields.

In Mexico, there has been a drop from an estimated potential opium production in 1990 of 62 mt to 41 mt in 1991, a 34 percent decline. In Guatemala, the estimate rose from 12-13 mt in 1990 to 17 mt in 1991. Without the highly effective eradication program, Guatemala's potential opium production could have doubled or tripled. In Colombia, government authorities discovered nearly 3,000 ha of opium poppy under cultivation. After an active manual eradication program, 1,344 ha remained, capable of yielding 27 mt of opium gum.

Coca Production. During 1991, the USG estimates that for the second consecutive year the overall hectarage of coca under cultivation declined. Peru's crop fell from 121,300 ha in 1990 to 120,800 ha in 1991. Bolivia's 50,300 ha of coca under cultivation in 1990 declined to 47,900 ha as a result of the government's eradication program, and the second year of decline. Colombia also registered an important decrease, from 40,100 ha under cultivation in 1990 to approximately 37,500 ha in 1991.

Coca eradication took place on the largest scale in Bolivia, where the government eliminated 5,486 ha through its eradication program. Colombia eradicated 972 ha of coca. While eradication of mature plants was negligible in Peru, the government helped contain crop expansion by destroying seedbeds with a potential for producing nearly 14,000 ha of coca. This effort has helped to reverse the trend of large, steady increases in cultivation from previous years, and, if sustained, will force an aging of the present crop that will adversely affect future yields. Because coca is cultivated in inaccessible areas of Brazil, its extent is unknown. Ecuador remains only a minor producer of coca.

Cocaine Yield Estimates. Last year, the INCSR reported that revisions in estimated processing efficiencies (by which coca leaves are harvested and processed into cocaine HCl) in the Andean region had led to a significant increase in the estimated amount of cocaine potentially available in that year. Additional information this year indicates that processing efficiency has been improving.

In 1991, taking into account estimates of local consumption and local seizures, the USG calculates that if virtually every coca leaf were converted into cocaine HCl, and there were no losses because of inefficiencies, bad weather, disease, or the deterrent effects of law enforcement, between 995 and 1170 mt of cocaine **theoretically** could have been available from Colombia, Bolivia, and Peru for worldwide export. This figure includes between 645 and 690 mt potentially available from Peru, 250 to 420 mt potentially available from Bolivia, and approximately 60 mt potentially available from Colombia. *In publishing these ranges, we repeat our caveat that these are theoretical numbers, useful for examining trends. They do not represent what is actually available.* That amount remains unknown.

Consumption data

Most of the chapters in this report contain some user or consumption data. For the most part, these are estimates provided by foreign governments, or informal estimates by USG agencies. There is no way to vouch for their reliability. They are included because they are the only data available and give an approximation of how governments view their own drug abuse problems. They should not be considered as a source of data to develop any reliable consumption estimates.

The cocaine yield figure is offered with the same caveat as the crop harvest yield data: it is a figure representing **potential** production. It is a theoretical number. It does not allow for losses or the many other variables which one would encounter in a "real world" conversion from plant to finished drug. The amount of cocaine HCl actually produced is lower.

Marijuana Production. Cannabis cultivation has dropped in most of the major marijuana producing countries. Thanks to an intensive eradication effort, Mexican marijuana production declined dramatically in 1991, from 19,715 mt in 1990 to 7,775 mt, a 60 percent drop. Colombia's crop has remained steady at an estimated 2,000 mt. Within Colombia's traditional cannabis growing zones, where intensive eradication was carried out in previous years, virtually no measurable growth was detected in 1991.

In **Jamaica**, government eradication programs, carried out with USG assistance, destroyed over 800 ha of cannabis. The estimated potential yield for 1991 was approximately 641 mt, substantially less than 1990's estimate of 825 mt.

We recognize that there may be considerable undetected cannabis cultivation in Central and East Asia. As we gather more accurate information, we will report on it in future INCSRs.

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THE U.S. INTERNATIONAL DRUG CONTROL STRATEGY

The President's first National Drug Control Strategy, issued in September 1989, established a ten-year national objective of reducing by 50 percent the quantities of cocaine, heroin, marijuana, and other dangerous drugs entering the United States. This document established the requirement for the regional strategies discussed below. The first strategy has been amplified by the second, third and fourth strategies, issued in 1990, 1991 and 1992.

The international section of the President's first strategy established an international component designed to disrupt and dismantle the multinational criminal organizations that support the production, processing, transportation, and distribution of drugs to the United States and to other nations. The chief emphasis was to attack the international drug trade by focusing efforts aimed at the points of greatest value to the drug trafficking organizations and networks.

The second National Strategy of January 1990 stressed the following elements:

- Increased economic, military and law enforcement assistance (based on counter-narcotics performance) to Colombia, Peru and Bolivia;
- Expanded cooperation with Mexico in reducing drug production, controlling money laundering, interdicting drug trafficking and developing demand reduction programs;
- Increased support for law enforcement programs in South American producer and transit countries, particularly Ecuador, Venezuela, and Brazil;
- Continued cooperative law enforcement and intelligence programs with Central American and Caribbean nations;
- Development and implementation of an international strategy focused on opium and heroin;
- Broadened domestic and foreign efforts to counter international drug money laundering activities;
- Expanded efforts to reduce the illegal manufacture and shipment of chemicals essential to illicit drug production; and
- Promotion of international law enforcement cooperation through mutual legal assistance treaties and the pursuit of anti-drug initiatives in international fora.

The fourth Strategy, issued in January 1992, aims to sustain the political commitment of illicit drug producing and transit countries to strengthen their laws, legal institutions and programs to bring to justice and, where appropriate, extradite drug traffickers and money launderers. It seeks to increase the law enforcement and security activities of the illicit drug source and transit countries and improve their ability to take effective action against trafficking organizations.

It is clear that the United States cannot assume the burden of combatting drugs by itself. A cornerstone of our international drug control strategy, therefore, is to work with and motivate other countries--those that are involved in production, transit, or consumption, as well as those that have little or no drug problem as yet--to engage their own resources and efforts to defeat the drug trade. Only through a broad, cooperative international effort can we achieve the objectives of reducing the foreign supply of drugs while working with other countries to dismantle their own illicit drug operations, reduce the demand for drugs, and combat the worldwide drug trade.

The Andean Strategy

The Andean Strategy is a multi-faceted approach to the complex problem of cocaine production and trafficking. The Strategy was the result of a comprehensive plan, completed in 1989, for the USG to work with Andean governments to disrupt and destroy the growing, processing, and transportation of coca and coca products within the primary source and processing countries, in order to reduce the supply of cocaine entering our country. In September 1989, the President's National Drug Control Strategy directed that a five-year $2.2 billion counternarcotics effort begin in FY 1990 to augment law enforcement, military, and economic resources in Colombia, Bolivia, and Peru. Pursuant to careful negotiations between the United States and each of the individual cooperating governments, annual implementation plans are prepared to ensure effective use of the assistance.

Implementation of this five-year Strategy has resulted in notable achievements in many areas. The democratically elected governments in each of the three Andean nations have repeatedly voiced their commitments to the counternarcotics struggle. Together, the U.S. and the Andean countries have worked to use intelligence to better focus our efforts on higher-level targets, expanding our efforts beyond eradication programs and low-level interdiction efforts. The U.S. has supported the internal programs of the three countries to improve the operational capabilities of their police and encourage the involvement of military forces to complement law enforcement actions. These programs have increased seizures, arrests, confiscation of assets, and disruption within the trafficking organizations.

The U.S. has also helped to improve counternarcotics cooperation between the police and military in all three countries. We have assisted elements in the Colombian and Bolivian Armed Forces to assume a more vigorous role in counternarcotics law enforcement activities. Peru remains a difficult case for narcotics cooperation, because of its of its difficult economic conditions, but recent discussions between the U.S. and the Fujimori administration have renewed the counternarcotics commitment.

There are encouraging signs that U.S. air interdiction efforts have hampered the easy movement of drugs to the United States. Full implementation of the Strategy in the Andean countries is expected to further develop a comprehensive, integrated approach to pursuing the narcotics traffickers in the region.

Potential Source and Transit Countries Strategy

The goals of the Administration's strategy to reduce the export of cocaine to the United States are as follows: (1) to stem the flow of drugs from the Andean source countries via the transit countries to the U.S.; and (2) to assist institution building that is essential for the long term success of our policy in the potential source and transit countries.

The geographic scope of this strategy focuses on the non-Andean countries of South America, Central America and the Caribbean. All of the cocaine and a large portion of the heroin entering the U.S. is produced in Mexico and South and Central America, and smuggled into the U.S. through our southern borders and the Caribbean. We expect the traffickers to adopt new methods to evade the increased pressure from the joint American-Bahamian-British Operation Bahamas and Turks and Caicos (OPBAT) in The Bahamas and intensified interdiction activities in Mexico. We will attempt to apply flexibly limited resources to block their efforts. However, we do not plan to significantly increase budget resources, except for Panama, a major transit point for cocaine, and Guatemala, a growing producer of opium and a transit point for cocaine.

Nonetheless, the U.S. will expand intelligence collection in the eastern Pacific and the Caribbean; assist the potential source and transit countries to expand their intelligence collection and dissemination capabilities; assist countries to act on shared intelligence to interdict shipments and arrest traffickers; and direct bilateral and multilateral efforts against trafficking organizations, money laundering, and chemical diversion.

In addition, the United States will work with these countries to enhance their political will and institutional capability to counter drug activities through economic and military assistance, interdiction, and effective crop control methods. As in the Andes, we will insist that internationally accepted standards on human rights be respected.

The U.S. International Heroin Control Strategy

The biggest obstacle to successful efforts against heroin remains the lack of U.S. access to and influence on some of the world's largest producers -- Burma, Iran, and Afghanistan -- and instability within those countries. Nonetheless, the International Heroin Control Strategy seeks to motivate other governments to address their own drug problems and to employ their own resources in reducing the illegal drug supply. We seek:

- to promote heroin control programs in international and multilateral fora;
- to garner worldwide recognition of the drug issue in both its health and national security dimensions through our own bilateral initiatives as well as regional relationships;
- to strengthen supply reduction programs;
- to strengthen the ability of cooperating opium-producing and heroin-refining countries to disrupt narcotics trafficking organizations through prosecution, punishment, and extradition of traffickers;
- to disrupt drug money laundering activities;
- to interdict the transit routes for heroin and precursor chemicals; and
- to support demand reduction initiatives that have the effect of stimulating national drug control efforts.

During 1992, the USG plans to continue its work with members of the Dublin Group and the United Nations Drug Control Program (UNDCP) to formulate cooperative programs and jointly pressure those producer and transit countries to which the U.S. has limited access.

CHEMICAL CONTROL

Chemical control gained widespread acceptance as a feasible and effective counter-narcotic strategy in 1991, primarily through the initiatives of the U.S.-led Chemical Action Task Force (CATF). The CATF was mandated by the July 1990 G-7 Houston Economic Summit to develop procedures "to ensure that precursor and essential chemicals are not diverted to manufacture illicit drugs." Twenty-four countries and three concerned international organizations representing drug producing and chemical producing and transit countries joined the CATF.

During five meetings in late 1990 and 1991, the members agreed on a comprehensive series of chemical control measures, building on the principles spelled out in the 1988 UN Convention, to ensure the legitimacy of all aspects of a transaction in the regulated chemicals, from the chemical producer to the ultimate consignee. In the process, initial skepticism about the value and feasibility of chemical control was dispelled and the CATF members became advocates of it.

The CATF report and its chemical control recommendations were endorsed by the July 1991 G-7 London Economic Summit. CATF members are incorporating them in national laws and regulations. A CATF Plenary Meeting will be held in May 1992 to review their progress and to report thereon to the 1992 G-7 Economic Summit.

Already much has been accomplished. The Administration has proposed legislation to Congress amending the U.S. Chemical Diversion and Trafficking Act to incorporate those CATF recommendations not already covered. The European Community is considering amending the Community-wide chemical control regulation to incorporate the CATF recommendations. Other CATF members are considering chemical control legislation based on the CATF recommendations. The International Narcotics Control Board, at the request of the U.S., has initiated action to add ten chemicals identified by the CATF to the tables of chemicals controlled under the provisions of the 1988 UN Convention.

We now are urging adoption of the CATF recommendations by non-CATF countries to prevent traffickers from switching to unregulated sources of chemicals, and are providing chemical control training to countries that have adopted control regimes. However, our emphasis remains on the chemical producing countries, since chemicals are most effectively controlled at their source, before they enter complex international commerce with its opportunities for diversion. In the latter, we are concentrating on the cocaine producing countries of Latin America that have strict control regimes, but lack the bureaucratic infrastructure and trained personnel to administer them.

MONEY LAUNDERING

In 1991, the USG and its principal economic allies made important progress in their cooperative effort to curb and prevent drug money laundering. Their primary objective has been to harmonize national financial and banking legislation and policies in order to deny drug criminals a safe haven for their illicit drug profits.

Narcotics money laundering has evolved over the last three years into an important foreign policy as well as a financial management priority in many key financial center countries. These priorities are reflected in virtually wholesale changes to laws and regulations, as well as improved cooperation. The changes result from a growing international conviction that drug trafficking cannot be halted unless we deprive trafficking organizations of their proceeds, as well as from a shared sense of responsibility for halting the production, trafficking and consumption of drugs.

Domestic and international cooperation have been abetted by the ratification of the 1988 UN Convention, the adoption of the recommendations of the Financial Action Task Force, the approval of the European Community's new policy directive and other commitments -- and especially by the deliberations which led to the drafting and approval of these international accords.

Between 50 and 100 governments have adopted or are now considering provisions which criminalize money laundering, regulate the flow of currency and monetary instruments, mandate records of currency and other monetary instrument transactions, require declarations of beneficial owners of accounts, and compel disclosure of suspicious transactions. These changes, and a much improved attitude on cooperation between the financial and enforcement communities, as well as on international cooperation, have strengthened many law enforcement agencies, especially in the industrialized and major financial center countries, and have helped ensure that the kinds of narcotics-related transactions attributed to BCCI and other banks do not recur.

Money laundering is a serious problem in every corner of the globe. In Latin America, Panama is returning as a money laundering center; narco-dollars continue to flow to Colombia; Argentina, Brazil, Colombia, Ecuador, Paraguay, Uruguay and Venezuela are becoming more important as centers for drug money operations; and the unchecked use of non-bank exchange houses to move drug proceeds in Mexico and the Southern Cone.

Cooperation on investigations improved, but the continued expansion of the drug service industry in the Caribbean, especially in the Caymans and Aruba, remains a key concern. Across the Pacific, there was the continued flow of funds through Hong Kong, the vulnerability of Singapore to outside penetration, the emerging potential of Bangkok as a money laundering center, and the potential expansion of the Asian illicit financial sector in various locales, including Taiwan and several island nations.

There was evidence demonstrating the vulnerability of the new financial systems in Eastern Europe. Various African countries emerged as staging areas for money movements associated with the Asian heroin trade. And, as the investigation of the Bank of Credit and Commerce (BCCI) revealed, notwithstanding their laws, regulations and international agreements, there was the continued exploitation of banks and non-bank systems in the U.S., UK, and other countries of Western Europe.

In recent years, we have made enormous progress in securing international cooperation in anti-money laundering efforts, particularly in the harmonization of national legislation and policies. We hope that the non-drug aspects of BCCI and other non-drug crimes will inspire comparable measures directed at general regulatory matters relating to the safety and soundness of multinational financial institutions.

The Financial Action Task Force (FATF). Our most important multilateral initiative has been the FATF, which was convened by the 1989 G-7 Economic Summit with a mandate to study measures to prevent the use of financial institutions by money launderers and to improve cooperation in money laundering cases. The FATF brings together legal and financial experts from finance, justice and foreign policy ministries, central banks, and law enforcement to assess problems, create common policies, and propose solutions.

The FATF became a free standing organization in 1991, chartered by its members for at least three and possibly five more years. FATF members include: United States, France, Italy, Germany, United Kingdom, Canada, Japan, Belgium, Netherlands, Luxembourg, Sweden, Denmark, Norway, Finland, Iceland, Ireland, Spain, Portugal, Greece, Austria, Switzerland, Turkey, Australia, New Zealand, Hong Kong, Singapore, the Commission of the European Communities, and the Gulf Cooperation Council.

In 1991, delegates to FATF II agreed to continue as an independent organization for a period of five years, with a decision to review progress after three years and assess the continuing need for this specialized group.

FATF cooperates with numerous organizations, including the United Nations Drug Control Program, Council of Europe, Bank for International Settlements, Customs Cooperation Council, Interpol, OECD, the EC, the Caribbean Financial Action Task Force, the OAS, and others. A high priority has been given to working with UNDCP on developing a global training and technical assistance program.

INTERREGIONAL AVIATION SUPPORT

The Department of State's Bureau of International Narcotics Matters (INM) Air Wing of 60 rotary- and fixed-wing aircraft continued to fly difficult interdiction and eradication missions in 1991 while maintaining a very high rate of operational readiness.

Whether spraying opium poppy in Guatemala or transporting Peruvian Police to destroy drug labs in the jungle, INM has met the challenge of providing the wherewithal to conduct a wide variety of anti-drug missions in foreign countries. Air Wing aircraft supported operations principally in Peru, Bolivia, and Guatemala, with other important support flown in Belize, Venezuela, Colombia, and Ecuador. The Air Wing continued to operate in an extremely hazardous environment. DOD has continued to support the Department's Air Wing by providing aviation personnel to assist in the planning of field operations and to provide oversight of the aviation support services contractor, substantially enhancing the safety, efficiency, and effectiveness of Air Wing operations.

INTERNATIONAL ORGANIZATIONS

The United States has increased efforts to involve other international actors in counternarcotics activities in the world's major drug producing and transiting regions. In the past year, the formation of the United Nations International Drug Control Program (UNDCP) set the stage for expanded anti-drug activities in a number of areas.

The scope of UNDCP anti-drug strategies is expanding with the orientation to subregional efforts. Such expansion is reflected in the joint programs projected for China, Thailand, and Burma. Moreover, UNDCP is receptive to increasing the effectiveness of its programs and appears to be establishing its own evaluation unit.

In addition, in response to UNGA resolution 44/141 which called upon the Secretary General to coordinate the development of the UN System-wide Plan of Action on Drugs, UNDCP has increased efforts to engage the entire UN system in the counternarcotics effort. The USG is working with UNDCP to encourage the UN to link assistance in drug producing and trafficking nations to the achievement of anti-drug targets.

The Dublin Group (DG), an informal consultative mechanism involving sixteen nations, the European Community, and the UN, has increased drug control activities and coordination. The key achievement this year is the establishment of mini-Dublin Group meetings among representatives of member states and organizations located in areas of significant trafficking activities.

INTERNATIONAL TRAINING AND DEMAND REDUCTION

Illicit drug demand reduction continued to be an area of heightened attention by the United States and the international community in 1991. The State Department Bureau of International Narcotics Matters (INM) provided demand reduction training and technical assistance to over 1,500 private and public officials in 28 countries. Emphasis was placed on specialized courses such as drug education, prevention, treatment, epidemiology, public awareness, and community organizing and mobilization techniques. In addition to this bilateral training, INM pursued joint training activities with the Colombo Plan in Southeast Asia and the OAS in Latin America.

As part of the U.S. Plan of Action in response to the UN Summit for Children, INM developed two pilot drug prevention programs for "street kids" in Lima, Peru and Campinas/Sao Paulo, Brazil. These projects were developed in cooperation with the OAS.

Worldwide Cultivation Totals

	1991			1990		
	Hectares			Hectares		
Country	Cultivated	Eradicated	Net	Cultivated	Eradicated	Net
Opium						
Afghanistan	17,190	0	17,190	12,375	0	12,375
Iran	na	na	na	na	na	na
Pakistan	8,645	440	8,205	8,215	185	8,030
Total SW Asia	**25,835**	**440**	**25,395**	**20,590**	**185**	**20,405**
Burma	161,102	1,102	160,000	150,100	0	150,100
Laos	29,625	0	29,625	30,580	0	30,580
Thailand	4,200	1,200	3,000	4,155	720	3,435
Total SE Asia	**194,927**	**2,302**	**192,625**	**184,835**	**720**	**184,115**
Colombia	2,316	1,156	1,160			
Lebanon	3,400	0	3,400	3,200	0	3,200
Guatemala	1,721	576	1,145	1,930	1,085	845
Mexico	10,310	6,545	3,765	10,100	4,650	5,450
Total	17,747	8,277	8,310	15,230	5,735	9,495
Total Opium	**238,509**	**11,019**	**226,330**	**220,655**	**6,640**	**214,015**
Coca						
Bolivia	53,386	5,486	47,900	58,400	8,100	50,300
Colombia	38,472	972	37,500	41,000	900	40,100
Peru	120,800	0	120,800	121,300	0	121,300
Ecuador	120	80	40	150	30	120
Total Coca	**212,778**	**6,538**	**206,240**	**220,850**	**9,030**	**211,820**
Marijuana						
Mexico	28,710	10,795	17,915	41,800	6,750	35,050
Colombia	2,000	0	2,000	2,000	500	1,500
Jamaica	1,783	833	950	2,250	1,030	1,220
Belize	320	266	54	400	335	65
Others	na	0	na	na	na	na
Total Marijuana	**32,813**	**11,894**	**20,919**	**46,450**	**8,615**	**37,835**

Worldwide Potential Net Production 1988 - 1992

(metric tons)

Country	*1992 est.*	1991	1990	1989	1988
Opium					
Afghanistan	*600*	570	415	585	750
Iran	*300*	300	300	300	300
Pakistan	*125*	180	165	130	205
Total SW Asia	***1,025***	**1,050**	**880**	**1,015**	**1,255**
Burma*	*2,250*	2,350	2,250	2,430	1,285
Laos	*250*	265	275	375	255
Thailand*	*32*	35	40	50	28
Total SE Asia	***2,532***	**2,650**	**2,565**	**2,855**	**1,568**
Colombia	*15*	27			
Lebanon	*40*	34	32	45	na
Guatemala	*10*	17	13	12	8
Mexico	*55*	41	62	66	50
Total Above	***65***	**119**	**75**	**78**	**58**
Total Opium	***3,622***	**3,819**	**3,520**	**3,948**	**2,881**
Coca Leaf**					
Bolivia	*79,100*	78,400	76,800	77,600	78,400
Colombia	*32,000*	30,000	32,100	33,900	27,200
Peru	*225,900*	222,700	196,900	186,300	187,700
Ecuador	*100*	40	170	270	400
Total Coca Leaf	***337,100***	**331,140**	**305,970**	**298,070**	**293,700**
Marijuana					
Mexico	*7,000*	7,775	19,715	30,200	5,655
Colombia	*1,500*	1,500	1,500	2,800	7,775
Jamaica	*600*	641	825	190	405
Belize	*50*	49	60	65	120
Others	*3,500*	3,500	3,500	3,500	3,500
Total Marijuana	***12,650***	**13,465**	**25,600**	**36,755**	**17,455**
Hashish					
Lebanon	*600*	545	100	905	700
Pakistan	*200*	200	200	200	200
Afghanistan	*300*	300	300	300	300
Morocco	*85*	85	85	85	85
Total Hashish	***1,185***	**1,130**	**685**	**1,490**	**1,285**

FOOTNOTES FOR PRODUCTION CHARTS

* **Opium Yield Information.** An opium yield study conducted in Thailand from December 1991-February 1992 indicated that yield was about 28% lower than previously supposed. (11.6 kg/ha, instead of 16 kg/ha.) We have adjusted the Thai opium estimate to reflect this new yield. While there has been no comparable study in Burma, the USG believes that similar yields may apply in Burma. If this proves to be the case, we will reflect the change in the next INCSR.

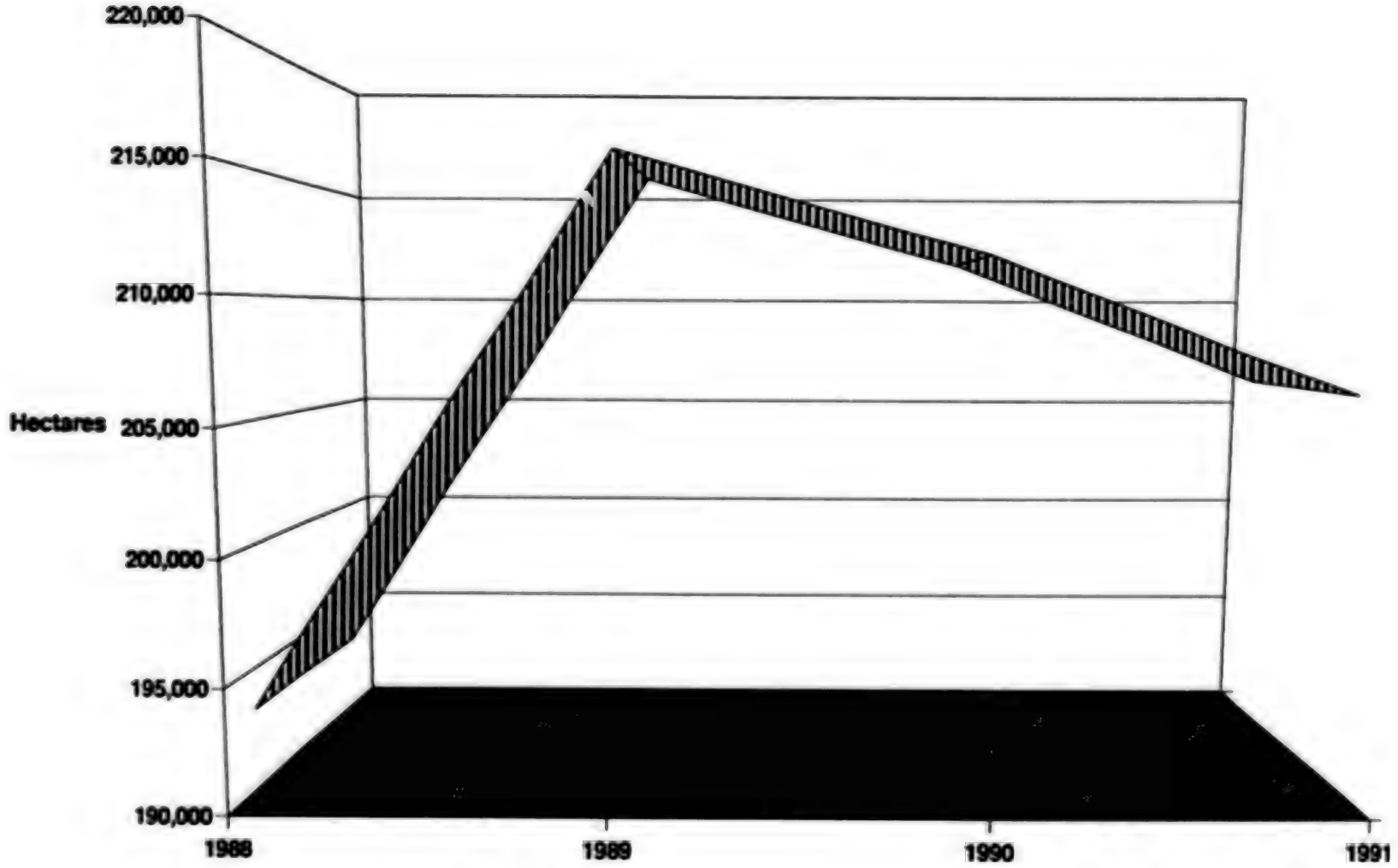
** **New coca yield information.** After analyzing field studies conducted in Peru and Bolivia, in 1991 we concluded that we were underestimating the **potential** yield of the coca crop in Bolivia and particularly in Peru. In 1990, we estimated the average yield for the entire coca crops in Bolivia and Peru as 1.6 and 1.14 metric tons per hectare, respectively, based on a small number of local sources. The 1991 analysis revealed that mature coca bushes--those that are two to fifteen years old and capable of producing full leaf harvests three or four times a year--have average yields of 2.7 metric tons per hectare in Bolivia's Chapare region and 2.3 metric tons per hectare in Peru's Upper Huallaga Valley. Mature plant yields elsewhere in these two nations appear to be 1.0 and 1.14 metric tons per hectare, respectively, close to our previous yield estimates for these other areas. New coca bushes--those planted in the last two years--have very low yields and are often not even harvested. Based on this analysis, we have been able to distinguish between new coca and mature coca in our cultivation estimates. We have calculated the potential dry coca leaf crop in Bolivia and Peru for each of the last five years by multiplying the average mature coca plant yield times the estimate of the hectarage of mature coca under cultivation. The previous yield estimate for the lowland coca variety grown in Colombia--800 kilograms per hectare--is still believed to be accurate and is used to calculate that country's potential

The net effect of this new analysis is to increase the estimated potential dry coca leaf harvest in the Andean region by about one third in each of the last five years. The mature coca plant yield estimates highlight the fact that changes in dry coca leaf production will always lag behind changes in the area of coca under cultivation by two years.

The data for previous years in Bolivia and Peru have been adjusted to reflect a ratio of 1.14 mt of leaf per hectare, in place of an earlier ratio of 1.03 mt of leaf per hectare.

COCA HECTARAGE 1988-1991

COCA CULTIVATION 1988-1991



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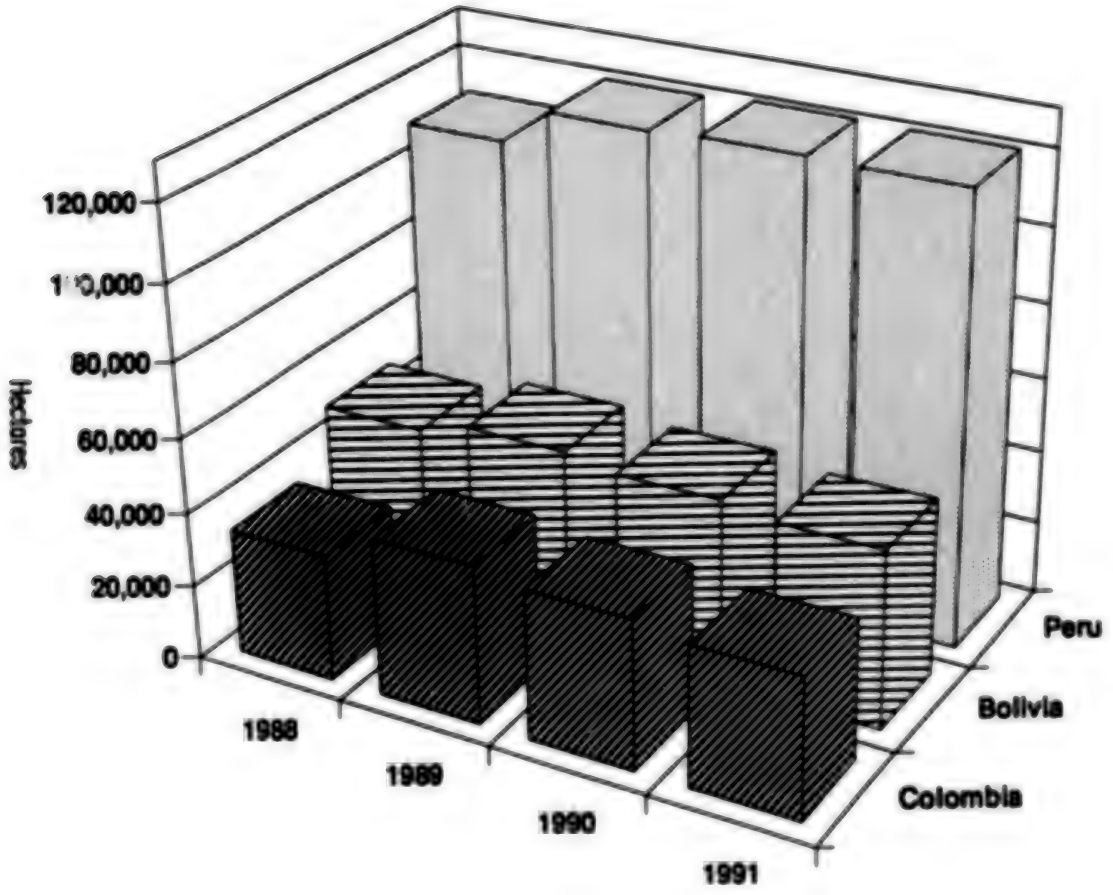
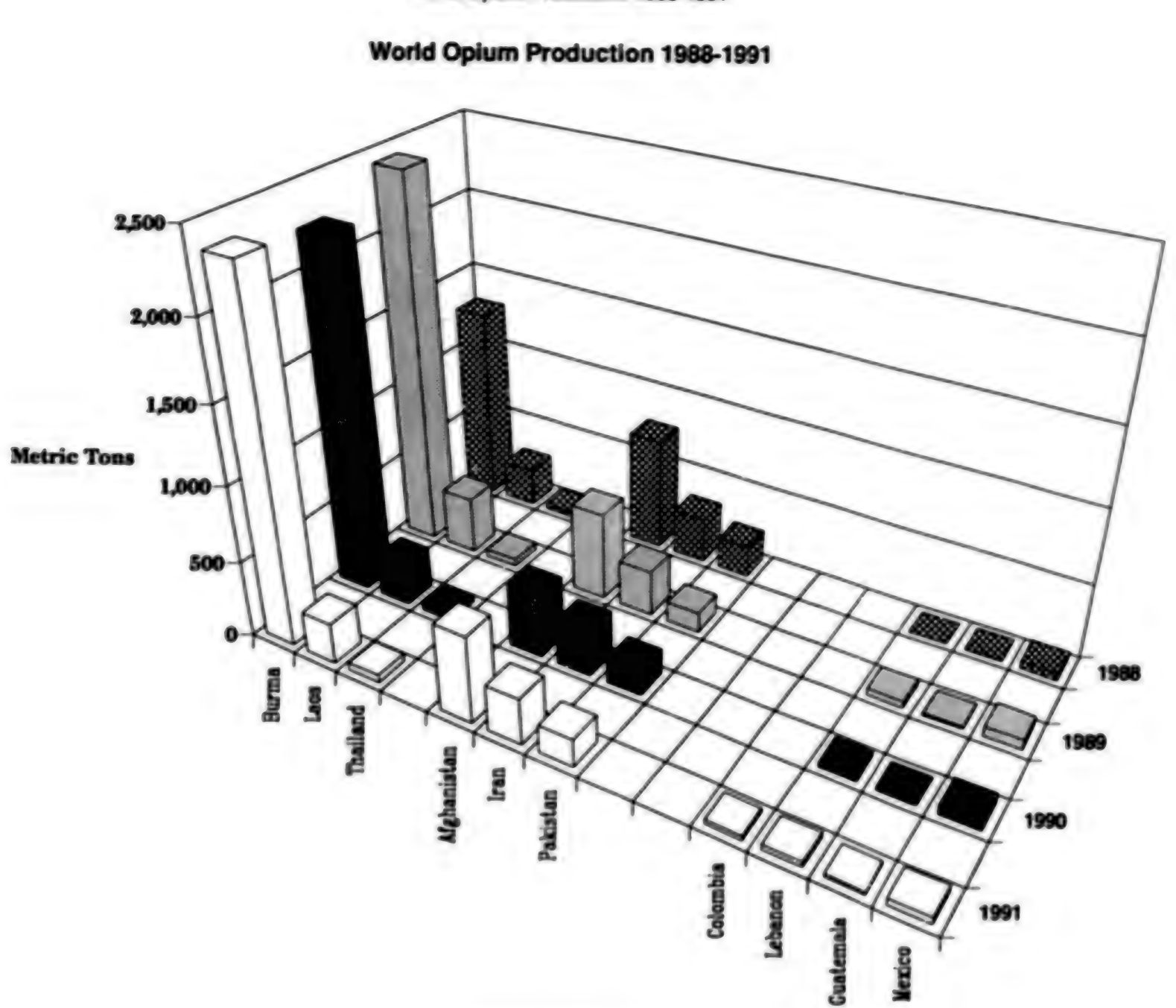
Coca Cultivation 1988-1991





OPIUM INCSR 1992

COUNTRY SUMMARIES

Afghanistan. There was no U.S. cooperation with Afghanistan on anti-narcotics control in 1991. The Kabul Regime has not concluded a bilateral narcotics agreement with the USG. Afghanistan is the second largest producer of opium in the world with an estimated 415 mt in 1990 and 570 mt in 1991. The increase in production was the result of excellent weather and the reversal of a voluntary poppy ban in the Helmand Valley.

Although most of the opium cultivation and processing occurs in the areas under Afghan Resistance control, the local commanders' attitudes towards drugs vary considerably. A number oppose narcotics on moral and religious grounds and prohibit cultivation and trafficking in their areas. Others tolerate its growth and sale by farmers, who depend on poppy farming for their livelihood. Some Resistance commanders, however, reportedly participate in cultivation and trafficking of opiates solely to finance their forces and to purchase war materiel. Absent a major military or political change in Afghanistan, opium production, illicit trafficking and domestic addiction is likely to continue to increase in the future.

The United States has no diplomatic relations or counternarcotics cooperation with the Government of Afghanistan. Political turmoil, lack of government control over large areas of the country and corruption preclude effective anti-narcotics activity in the opium producing provinces.

Argentina is primarily a transit country for Andean narcotics sent to Europe and the United States. Cultivation and production of narcotics, however, is small compared with Argentina's Andean neighbors. As an indication of the effectiveness of USG efforts in narcotics awareness education and demand reduction, there was increased regional awareness of the need to combat illicit drugs. The Argentine Government is taking important steps to combat the drug problem on its own and in cooperation with neighboring countries and the United States. These steps included controls over the transit of illicit drugs and the diversion of essential chemicals, stronger law enforcement, and closer attention to demand reduction.

A major producer of essential and precursor chemicals, Argentina during the year passed a decree controlling production and sale. Consumption of narcotics is on the rise but cultivation remains small. There has been a noticeable improvement in enforcement efforts. Over the past year, the government and the public have become increasingly aware of the threat posed by narcotics trafficking, money laundering, and all the ramifications of the illegal drug trade.

Australia. Australia is primarily a narcotics consumer country. No large-scale production takes place, although Australia does have a well-organized and controlled licit opiates producing and processing facility on the island of Tasmania. U.S. Drug Enforcement Administration (DEA) and some Australian law enforcement officials agree that Australia is a potential transshipment point for Southeast Asian heroin.

The Bahamas. The Bahamian Government (GCOB) cooperates closely with the USG in making drug trafficking in The Bahamas difficult, unprofitable and dangerous. Although some traffickers still use Bahamian airstrips, the fact that most now prefer airdrops to avoid landing in Bahamian territory reflects the increased law enforcement efforts and presence provided jointly by the GCOB and USG. In 1991, the GCOB made significant strides against narcotics-related corruption among government officials. A 1991 survey revealed increasing Bahamian drug abuse problems. The GCOB, concerned that allegations of money laundering activities could compromise its reputation as an international financial services center, agreed to bilateral talks with the USG in early 1992. While The Bahamas is a member of the Caribbean Financial Action Task Force, it lacks statutory requirements for banks to report suspicious transactions. The Bahamas was the first country to sign the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It ratified the Convention in 1989. The GCOB has enacted legislation required under the Convention and has issued related regulations, except for those licensing the import and export of essential and precursor chemicals.

Belize. Recognizing that drug trafficking poses the biggest threat to democracy in Belize, the Government of Belize (GOB) has shown the political will to combat drugs, and has consistently supported USG-backed interdiction and eradication efforts. After four years of intensive aerial eradication, Belize is now only a marginal producer of marijuana. Further, Belize has improved its interdiction capability by combining the efforts of its defense force and police. The GOB has doubled its law enforcement budget. Three trafficking aircraft were seized during the year by the GOB. The USG assisted Belize in developing the institutional capability to assess the extent of its drug problem, as well as to undertake narcotics awareness, education, and demand reduction activities in its public and private sectors.

Bolivia. Bolivian counternarcotics capability and performance continued to show good progress in 1991. The Government of Bolivia (GOB) cooperated closely with the USG in 1991 to reduce production of refined cocaine products for export to the U.S. or other markets. The GOB continued to develop institutional capacities to conduct large counternarcotics law enforcement operations. A joint police, air Force and navy operation supported by the USG against the trafficker-controlled town of Santa Ana de Yacuma returned the town to GOB control and disrupted trafficker activities in eastern and northern Bolivia for several months. These and other law enforcement activities resulted in driving out of business 25 coca leaf buying organizations operating in the Chapare and led to the arrest or surrender of 28 major traffickers.

The GOB eradicated 5,486 ha of coca in 1991. Although the GOB did not meet its target of 7,000 ha, eradication resulted in a net reduction of coca cultivation in Bolivia for the second consecutive year.

The GOB's increasingly effective capabilities and actions against trafficking organizations continue to be hindered by the adverse effects of widespread corruption. In order for GOB efforts to have stronger impact on drug production and trafficking, corruption must be dealt with more vigorously. In addition, the GOB must strengthen the political will to push for voluntary eradication of coca as well as to carry out existing GOB law by forcibly eradicating new coca. Bolivia has yet to sign the Extradition Treaty with the United States which was negotiated in 1990.

Brazil. Brazil is a major transshipment point for cocaine destined for the U.S. and Europe, as well as a significant producer of chemicals which can be diverted for the illegal production of cocaine. In 1991, the Government of Brazil (GOB) made record cocaine seizures, ratified the 1988 UN Narcotics Convention and introduced new drug legislation which, if enacted, will dramatically increase Brazilian law enforcement capabilities. In the face of continuing economic difficulties, the Brazilian national investment in drug control is still inadequate to deal comprehensively with Brazil's growing problem. The GOB is increasing the number of its counternarcotics police, but more resources will be required to cover Brazil's enormous territory. Brazilian authorities should also examine ways to counter potential money laundering.

Bulgaria remains an important transit area for Southwest Asian heroin going from East to West. Seizures in a number of West European countries indicate that Bulgaria's main highway and railways connecting the two regions are still the primary routes for trafficking organizations. Additionally, Bulgarian officials now believe that the domestic problem is growing. Traffickers appear to be making inroads into the region by expanding internal distribution networks and heroin markets.

Nevertheless, 1991 was a pivotal year for Bulgarian anti-drug cooperation with the United States and other countries, coinciding with the rapid movement towards democratic political institutions. Bulgaria's post-communist leaders have indicated a key priority in anti-drug cooperation is to put to rest any lingering suspicions of government-sponsored involvement in narcotics trafficking during the previous regime. As a result, Bulgaria bolstered enforcement efforts and seizures increased. In addition, political democratization led to a much broader range of contacts with anti-narcotics organizations in other countries. Another significant development was the establishment of the "Central Organization for Combatting Organized Crime and Narcotics Trafficking" in the Ministry of Interior which centralized government anti-narcotics efforts.

Bulgaria signed the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1989. While the GOB's primary attention has been on drafting a new constitution and election law during the past year, the Bulgarian Parliament is expected to ratify the Convention in 1992.

Burma. Despite frequent public statements and occasional counternarcotics activities, the Government of Burma (GOB) neither took sustained unilateral action nor cooperated in a serious, significant way with the U.S. or other governments in 1991. Opium production was larger than last year's record level and remains nearly twice as large as that in 1988 when the GOB abandoned aerial eradication. Working-level law enforcement liaison with the DEA has continued and talks on UN crop substitution projects are underway, but Burma's production has not declined.

The government's political and military accommodations with various ethnic insurgent and trafficking groups, such as the Wa and Kokang, apparently preclude any GOB security/military actions against poppy cultivation, heroin production, and narcotics trafficking in the areas under the groups' control. The GOB claims these accommodations have permitted establishment of a border development program which, in time, will reduce reliance on poppy as a cash crop, but there is no evidence of any effort to limit opium cultivation in these areas. Efforts by other governments and international organizations to convince the GOB to take a stronger counternarcotics stance have been unsuccessful.

China. The Peoples Republic of China (PRC) has emerged as a major narcotics transit country because of the movement of heroin across largely open borders from Burma through 15 southern provinces to Hong Kong. The Chinese Government, recognizing that the problem is growing, has launched a strong internal campaign against drugs through enhanced law enforcement, public education and international cooperation.

Domestic addiction and drug-related corruption have become significant problems and there is evidence that amphetamines are produced in China for export. The still unresolved case of drug smuggler Wang Zong Xiao adversely affects PRC cooperation with the USG. Wang requested political asylum in the United States in 1990 after being sent by PRC authorities to testify in the so-called "Goldfish" case.

DEA, however, continued to work with Chinese authorities on investigations and the Chinese availed themselves of some USG-funded training opportunities. The PRC took a series of strong enforcement measures, executing 35 traffickers and burning five mt of opium and heroin on one occasion alone. Visits by the State Department Assistant Secretary for International Narcotics Matters (INM) and the DEA Administrator laid the basis for further cooperative measures.

Colombia. The Government of Colombia's (GOC) vigorous campaign against trafficking organizations resulted in impressive results in 1991. Not only did Colombian security forces seize a record breaking 87 mt of cocaine (a 66 percent increase over 1990), but a combination of police pressure and a controversial plea bargaining decree resulted in the surrender of drug kingpin Pablo Escobar and his key lieutenants. GOC security forces, spearheaded by the Colombian National Police (CNP), destroyed over 220 processing labs and made 1,400 arrests.

Colombian police have also eradicated 1,000 ha of the expanding opium poppy crop and destroyed two heroin producing labs. The CNP has pledged to eradicate the opium crop aerially with herbicides in 1992. More importantly, the GOC severely attacked the infrastructure of the Cali cartel by raiding financial and record centers. These raids resulted in the seizure of 50 bank accounts in Colombia. The GOC continues to apply pressure on the Cali cartel and is working to close air corridors from Peru and Bolivia.

Despite these major interdiction efforts, Colombian traffickers continue to move large quantities of cocaine out of Colombia. Further progress against major traffickers hinges on the newly renovated Colombian judicial system, which is highly susceptible to threats and corruption. The GOC, led by President Gaviria, has made this a priority goal. By providing training and equipment, the USG is assisting the GOC in strengthening its judiciary. A crucial test of the system will be effective detention and trials of Escobar and other incarcerated cartel members. USG assistance will also be key to enhancing the ability of Colombian security forces to interdict narcotics and destroy the trafficker infrastructure throughout Colombia. The USG is committed to assisting the GOC to attain our common goals of dismantling the trafficking networks and stemming the flow of cocaine from Colombia to the United States.

Costa Rica. In a trend which shows the traffickers ready to adjust their tactics to enforcement efforts, Costa Rica is becoming a transshipment point for cocaine en route to the United States from South America. The full extent of money-laundering activities is unknown, though it appears limited. Counternarcotics legislation enacted in recent years has created a sound legal foundation necessary to combat narcotics trafficking. Limited resources and the lack of professional, well-trained police forces, remain serious obstacles to anti-narcotics law enforcement efforts.

Cuba occupies a strategic location for potential drug routes into the United States. Traffickers are known to transit Cuban airspace and territorial waters to avoid USG law enforcement aircraft and vessels operating in the Caribbean. While Cuban response to trafficking has been neither vigorous nor effective, the Cuban route does not appear to have increased in importance for the traffickers. Smuggling operations in and around Cuba primarily involve cocaine and marijuana. Since the celebrated 1989 Ochoa drug trials, there has been greater publicity given to Cuba's anti-drug efforts, but little evidence of actual results.

Cyprus. Cyprus's location in the Eastern Mediterranean, and its well-developed facilities for business, tourism and international communications, make the country an attractive meeting point for traffickers. Heroin transits Cyprus concealed in container traffic. Air connections are used to convey illicit narcotics, currency and bullion to and from Europe. In April, Cyprus adopted tougher laws in accordance with the 1988 UN Convention. Cypriot police and customs authorities strictly enforce these laws, and they maintain excellent relations with U.S. and other foreign government law enforcement authorities. Cyprus's system of controls on the movement of bullion and currency discourage the development of a traffickers' financial haven. The Central Bank's monitoring of monetary activities prevents any widespread money laundering activities.

Dominican Republic. In 1991, Dominican narcotics-related arrests increased, but cocaine and marijuana seizures decreased. Colombian trafficking organizations were active in attempting to set up transportation networks, despite increased Dominican interdiction and enforcement efforts. Radar sites established during 1991 feed data into the Joint Information Coordinating Center and to the Caribbean Basin Radar Network. Cooperation between USG and Dominican law enforcement authorities was good, although the USG continues to receive reports of police and military narcotics-related corruption.

Ecuador. The Government of Ecuador (GOE) has stated its firm opposition to drug trafficking. Ecuador was one of the first South American countries to ratify the 1988 UN Convention. In September, it passed comprehensive legislation implementing the Convention, criminalizing the production, transport and sale of controlled narcotic substances; the import, diversion and use of precursor chemicals for illicit purposes; money laundering; intimidation or subordination of judicial and public authorities for drug crimes; and illicit "association" related to drug trafficking and profiteering. The law established a ministerial-level National Drug Council (CONSEP) which is to set and coordinate drug prevention and control policy and activities by all public and private institutions, including the military.

Ecuador continues to conduct periodic aerial reconnaissance missions to seek out and destroy new cultivations and processing facilities as resources permit. While coca eradication figures have tripled since 1990, drug and chemical seizures remain low, despite indications of large quantities transiting the country. Ecuadorian law enforcement agencies seized an estimated .8 mt of cocaine, paste and base in 1991, a decrease from the 1990 total of 1.6 mt.

Corruption remains a problem in Ecuador despite GOE steps to repudiate or remove public officials, including judges and law enforcement personnel, implicated in drug-related crimes. Drug money laundering appears to be a significant problem not yet dealt with effectively by the GOE.

Egypt is not a major narcotics producing or trafficking country, but geography makes it a natural transit point for heroin and opium moving from Southwest and Southeast Asia to Europe and the U.S. Egypt also offers a considerable domestic market for hashish and heroin from Lebanon and Syria. The busy air and seaports of Egypt facilitate clandestine movement of narcotics into or through Egyptian territory. The government maintains an active interdiction effort at Cairo International Airport, but has no program or means to interdict narcotics shipments passing through the Suez Canal and is now confronted with the difficult challenge of drug interdiction presented by the recent opening of the land border with Libya.

El Salvador. For many years the Government of El Salvador (GOES) did not address the illegal narcotics problem because of the Marxist insurgency. In the past two years, however, under the leadership of President Alfredo Cristiani, the government's anti-narcotics effort has increased significantly. In 1990, the GOES formed a cabinet-level anti-narcotics commission (COAN) to develop its counternarcotics policy, and created the Executive Anti-Narcotics Unit (UEA). In 1991, the UEA seized a 2.9 mt of Colombian cocaine in the port of Acajutla. The GOES also enacted a tough anti-narcotics law and it encouraged and received private sector support to strengthen the drug prevention foundation, FUNDASALVA. Backed by USAID money, FUNDASALVA promotes drug awareness programs in schools, the work place, and community centers.

Greece. Drug traffickers continue to exploit Greece's convenient location between major drug producing nations in the Middle East and South Asia and consumers in Europe and the U.S. Narcotics abuse is also a growing problem in Greece. The Government of Greece (GOG) has bolstered its anti-drug campaign over the last year, focusing on increasing drug arrests and seizures. Intelligence gathered from these efforts has resulted in the dismantling of several trafficking rings. Such successes are due in part to the increased cooperation between U.S. and Greek drug enforcement agencies, including the provision of equipment and law enforcement training by INM. Other GOG progress has included ratifying the 1988 UN Convention, and taking a more active role in multilateral counternarcotics fora.

Guatemala. The Government of Guatemala (GOG) cooperated closely with the USG in 1991 to reduce the cultivation of opium poppy for export to the U.S. or other markets and to interdict cocaine transiting Guatemala. As a result of intensive aerial eradication operations conducted from October 1990 through February 1991, and continuous small-scale ground eradication operations initiated in August, opium cultivation in Guatemala decreased from 1,930 ha in 1990 to 1,721 ha in 1991, a 10 percent reduction.

During 1991, President Serrano spoke out forcefully against narcotics trafficking and committed the full support of his government to cooperate with USG interdiction and eradication efforts. Guatemalan Treasury Police have participated with the USG in Operation Cadence, an enhanced cocaine interdiction program. The Treasury Police also participate in the ongoing opium poppy eradication campaign.

Combined cocaine interdiction operations seized or control-delivered more than 15 mt of cocaine. During 1992, we expect to see increasing GOG participation in narcotics control efforts.

Efforts to pass effective narcotics control legislation have been unsuccessful to date, although the Serrano administration has recently prepared a new draft law it intends to submit to Congress in early 1992. Corruption remains a problem. For example, extradition proceedings against former Mayor Arnoldo Vargas, a convicted trafficker, were put in jeopardy by an apparently corrupt judge who ordered him released. Vargas's premature release, however, was blocked by higher judicial authorities.

Haiti. Political turbulence during 1991, culminating in the ouster of President Jean Bertrand Aristide, crippled narcotics control efforts. The USG assisted some demand reduction and information collection activities and had developed an Administration of Justice project to improve the Haitian judicial process. Since the coup, however, all USG-Haitian Government anti-narcotics cooperation has ceased. Reports indicate active involvement of the military and police in the narcotics trade and increased use of crack cocaine by military personnel.

Honduras. Honduras is not a significant producer of illicit narcotics. There is no evidence of coca or opium poppy cultivation, and most cannabis cultivation appears to be limited to small, scattered plots. No illegal processing facilities have been detected. There are strong indications that Honduran territory is used to transship cocaine and precursor or essential chemicals.

During 1991, the USG signed Letters of Agreement with the Government of Honduras (GOH) to support the establishment of a National Drug Task Force and a Joint Information Coordination Center (JICC). The USG also signed an agreement with the GOH which permits the deployment of USG detection and monitoring aircraft to Soto Cano Airbase, and negotiations are underway with the Hondurans to connect their radar at Cerro La Mole into the rest of the Caribbean Basin Radar Network (CBRN). Honduran officials continue to cooperate closely with U.S. law enforcement officials. Reported seizures of cocaine increased from 254 kg in 1990 to 491 kg in 1991. The USG continued to support Honduran public awareness and demand reduction activities.

Hong Kong is an important center for brokering and transshipping heroin from the Golden Triangle to the United States. Drug traffickers use the territory to conduct business and launder drug proceeds. During 1991, Hong Kong continued its effective enforcement efforts and its outstanding liaison with U.S. law enforcement authorities, including several successful joint investigations and cooperation in extraditions. In January, the U.S.-Hong Kong drug designation agreement came into force which allows each party to honor confiscation orders received from the other's jurisdiction for the proceeds of drug trafficking offenses. Over $40 million was frozen in 1991 by the U.S. and Hong Kong Governments under this bilateral agreement. In addition, the Hong Kong Government cooperates with the USG on money laundering cases.

India. India's narcotics problems include the transit of heroin across its borders from neighboring producing countries, diversion from its licit opium industry into illicit channels, and illicit cultivation. Despite increased public recognition of the situation, some steps to curtail trafficking and production, and increased willingness to cooperate with the USG, we believe that the Government of India (GOI) has not yet taken strong enough measures to control narcotics to the maximum extent possible.

Diversion from licit opium fields remains the most problematic area. In one step to control this leakage, the GOI has decreased production over the last decade by reducing the amount of land designated for licit cultivation and the number of farmers licensed to grow opium poppy. The size of the licit opiate stockpile has been cut consistent with market demand. The GOI has assigned additional personnel to monitor the opium poppy harvest and to destroy illicit cultivation and laboratories when located. Nevertheless, corruption at various levels and limited fiscal and personnel resources continue to hamper strict GOI enforcement. There have been increasing reports of diversion, and, recently, of the export of heroin produced from diverted opium to Europe and the United States.

Indian law enforcement authorities have arrested and convicted a large number of international couriers. There is continued drug trafficking from Burma into northeast India, but no accurate figures of quantity or firm indication of whether the heroin is for the domestic market or for reexport. The GOI also has issued regulations controlling the sale and distribution of acetic anhydride near the Pakistan and Burma borders. Bilateral cooperation between Indian law enforcement agencies and the DEA continues to be good.

Indonesia is not a major processing country for illicit narcotics nor a narcotics money laundering center. Marijuana, known locally as ganja, is produced in large quantities, but little enters the U.S. market. Domestic drug abuse is a small but growing problem, and the Government of Indonesia (GOI) views drug abuse and narcotics trafficking as a major long-term threat to social stability. U.S.-Indonesian cooperation continues to be good; the USG provided some funding for training and the GOI cooperated with the DEA in a number of areas.

Iran. There was no cooperation between the United States and Iran on counternarcotics in 1991. While the Iranian Government (GOI) claims it takes strong measures against drug trafficking and has eliminated cultivation within its boundaries, we are unable to verify such statements. The GOI has begun anti-drug discussions with the former USSR, Pakistan, and the United Nations International Drug Control Program (UNDCP) to explore cooperative means to curtail trafficking through its territory.

Ivory Coast (Cote D'Ivoire) serves as a drug transit point, primarily for heroin but involving some cocaine as well, coming from Asia and South America. Ivory Coast produces only small amounts of low-grade cannabis for domestic consumption. Domestic consumption of illegal narcotics reportedly increased in 1991. The National Drug Police coordinates counternarcotics efforts. The government recognizes that narcotics are a growing problem, but its control efforts are hampered by a lack of resources.

Jamaica. Marijuana production continues to decrease under the U.S.-supported Operation Buccaneer eradication program. Government of Jamaica (GOJ) cooperation with the USG on narcotics control efforts, led personally by Prime Minister Manley, resulted in some cocaine seizures (reduced in 1991 from 1990 levels) and increased hashish oil and marijuana seizures. The Joint Information Coordination Center, now fully staffed, has stimulated increased arrests for drug trafficking. Although money laundering appears not to be a major problem in Jamaica now, the removal of foreign exchange controls in late 1991 may increase that risk. In December, the USG and the GOJ signed a "supercarrier agreement" obligating Air Jamaica to institute security measures against drug smuggling aboard its aircraft.

Jamaican law enforcement and port security organizations, in close cooperation with the DEA, monitored suspect aircraft resulting in arrests and drug seizures in three countries. The USG continues to assist the GOJ with public awareness and demand reduction programs.

Kenya is a transit point for Golden Crescent and Golden Triangle heroin destined for both European and North American markets. In addition, Indian methaqualone (Mandrax) transits Kenya en route to South Africa. Kenya is not a signatory to the 1988 UN Convention. The government has yet to present to its Parliament draft legislation providing for asset seizure/forfeiture and life imprisonment for drug trafficking.

As a result of inefficiency, lack of political will to attack drug trafficking vigorously, and, perhaps, corruption, both heroin and marijuana seizures declined markedly in 1991. In September, the USG agreed to provide an X-ray machine for use at the international airport. With UN assistance, the GOK is attempting to raise the nation's collective consciousness about the dangers of drug abuse.

Laos. Laos continued its slow but steady progress in the area of narcotics control. The Government of Laos (GOL) has shown its willingness to work with the USG and others to reduce Laos' opium crop, but has not yet demonstrated as strong a commitment in the law enforcement area. The GOL agreed to create a special police unit within the Ministry of Interior with specific counternarcotics responsibilities and has designated the unit as the principal liaison for USG law enforcement agencies. At the end of 1991, however, this unit was not functioning as a fully effective, dedicated counternarcotics unit. The GOL also formed a new Customs anti-smuggling unit which seized small amounts of marijuana. USG law enforcement agencies, which previously had almost no access to Laos, were able to visit Laos regularly and begin to develop a working relationship with Lao police officials.

Increased narcotics seizures and arrests included more than 180 kg of opium, 15 kg of heroin, 6 mt of marijuana and the arrest of 14 people, including some local officials. In addition, the USG-funded crop substitution project in Houaphan Province made substantial progress, constructing nearly 100 km of roads, completing three agricultural training cycles, and introducing coffee seedlings and fruit trees.

Corruption remains a problem. There were credible reports of the involvement of certain military officials in the drug trade, especially through the GOL's Mountainous Area Development Company. This involvement raises questions about the dedication of all elements of the central government to narcotics control. The civilian authorities, however, have frequently and forcefully pledged their commitment to counternarcotics efforts and to work closely with USG officials on all aspects of the program.

Lebanon is a major illicit narcotics producing and trafficking country. There is evidence of increased levels of drug abuse in government-controlled areas, including the use of cocaine. In addition to traditional hashish production, Lebanon has become a significant opium producer and heroin processor as well as a transshipment point for cocaine. Production is controlled by Lebanese groups and families in the Syrian-occupied Bekaa Valley.

Political conditions in 1991 showed some slight improvement, with the Government of Lebanon (GOL) giving narcotics at least formal attention. The GOL, however, can accomplish little on its own without assistance from outside powers and cooperation from Syria. The GOL was hampered by still unsettled political conditions in mounting any counternarcotics efforts in 1991. It also had limited capacity to cooperate with the United States on counternarcotics activity.

Malaysia has taken strong unilateral counternarcotics measures and has cooperated with the USG to counter narcotics trafficking. Malaysia is an important processing and trafficking center for opium grown in other countries. Much of the product is consumed domestically, but significant amounts are smuggled back out of the country.

Despite evidence of low-level corruption which facilitates persistent drug trafficking and abuse, Malaysia continued its strong enforcement efforts, arresting nearly 700 people under one of the most severe drug laws in the world. Malaysia has an active demand reduction program, with over 20 active centers. The USG and Malaysia cooperated in conducting several demand reduction and law enforcement training programs. The Malaysian approach to narcotics is generally characterized as serious, well funded and well administered.

Mexico. Mexico's anti-drug effort in 1991 paralleled its impressive 1990 success; arrests and drug seizures were up. Mexico seized a record 50.2 mt tons of cocaine in 1991 (up from 48.5 mt in 1990), second only to Colombia in the international arena. Eradication results were markedly higher. The Salinas administration expanded upon systemic improvements in the judicial system begun in 1989-90, with special emphasis on narcotics control and protection of human rights.

The Government of Mexico (GOM) continued to expand anti-narcotics cooperation with the USG. The two nations took concrete steps to implement their Mutual Legal Assistance Treaty and their bilateral narcotics cooperation agreement, paving the way for greater cooperation in the future.

Opium poppy cultivation remained at about the same level as in 1990 (10,310 ha in 1991 versus 10,100 ha in 1990), but eradication increased by 41 percent (from 4,650 ha in 1990 to 6,545 ha in 1991); therefore, Mexico succeeded in reducing potential heroin production from 6.2 mt in 1990 to 4.1 mt in 1991 -- a 34 percent reduction. The GOM's impact on marijuana is even more impressive. Not only was cannabis cultivation reduced by nearly one-third over 1990 (down from 41,800 ha in 1990 to 28,710 ha in 1991), but eradication increased by 60 percent (from 6,750 ha in 1990 to 10,795 ha in 1991); together, this reduced potential production of dried/usable marijuana from 19,715 mt in 1990 to 7,775 mt in 1991 (a record 61 percent reduction).

Corruption continues to impede efforts to curb drug trafficking in Mexico. However, sustained interdiction, intensified eradication, broad demand reduction/education efforts, systemic legal reforms and tough anti-corruption measures clearly demonstrate Mexico's political will to combat drug trafficking on all fronts. The USG will continue to support Mexican public and private institutions in conducting public awareness and demand reduction activities.

Morocco. Morocco is one of the world's largest producers of cannabis, most of which is exported to Europe and North Africa in the form of hashish. The government has shown little political will to combat narcotics. Nor has it taken effective measures to reduce the cannabis crop significantly. European countries have significant concerns about the flow of narcotics from Morocco. Smuggling networks are diversifying into heroin and cocaine.

Cocaine seizures were substantially larger than in previous years. The UNDCP funds an economic development program in the Rif Mountains that showed some progress by eliminating about 50 ha of cannabis. Seizures of narcotics within the country and at its frontiers increased in 1991. Although there is little evidence of drugs entering the United States from Morocco, cooperation between Moroccan and U.S. law enforcement agencies has continued.

Nepal's open border with India and its proximity to Pakistan and Burma make it an alternate point for the transit of illicit narcotics from the Golden Crescent and Golden Triangle to Europe, other points in Asia and the United States. USG evaluations of the arrest of Nepalese and foreign traffickers or couriers reveal that some heroin is funneled into Nepal from India, from Pakistan through India, and/or from Burma, Bangkok, and Hong Kong, and onward to Europe and the United States. The new democratically elected made significant commitments to upgrade its narcotics control efforts, including to increase law enforcement cooperation with other nations. The government currently has under consideration a narcotics master plan drafted by the UNDCP.

New Zealand does not have substantial narcotics production or trafficking, nor does narcotics-related money laundering appear to be a major problem. But the Government of New Zealand (GNZ) is concerned about the increase in narcotics-related crime. Cannabis remains the most widely produced and consumed illicit drug, but neither this nor any other locally produced drug is exported in significant amounts. Despite declining resources for suppression and control, the GNZ is moving to pass legislation bringing it into full compliance with the 1988 UN Convention.

Nigeria. Nigerians are participating in growing numbers in heroin and, increasingly, cocaine trafficking. Sophisticated Nigerian trafficking organizations control extensive networks of heroin couriers worldwide. Corruption -- some of it allegedly within the government's National Drug Law Enforcement Agency (NDLEA) -- and liberal banking regulations facilitate trafficking and money laundering, and present serious impediments to interdiction and law enforcement. While some progress was made in 1991, much more remains to be done to demonstrate serious, effective action against narcotics trafficking.

The USG and the Federal Military Government (FMG) concluded a bilateral narcotics control agreement in 1989 which called for establishment of a Joint Task Force. The Task Force made a number of arrests and seizures in 1991. The United States has continued its financial and operational support of the Task Force.

The FMG has taken a strong public stance against narcotics, but has not shown the political will or commitment to deal effectively with narcotics trafficking. Greater efforts and more resources are needed to investigate and disrupt trafficking organizations and combat corruption.

Limitations on budget, personnel and operating authority at the NDLEA continue to prevent this new organization established in 1989 from evolving into a fully autonomous and professional enforcement agency.

Nicaragua. The Government of Nicaragua has only recently begun to address and to deal with the counternarcotics issue. With the end of a ten-year-long civil war, and the vacuum of authority arising from the withdrawal of security forces from rural areas, Nicaragua is becoming a transit point for illicit drugs moving north. Though drug seizures so far have been too limited to establish a clear trend, it appears that much of the drug trafficking involves cocaine arriving on the Atlantic coast, or passing through the Pacific coast ports. To date, all major seizures have been on the Pacific coast.

Nicaraguan law enforcement forces do not have special units dedicated to narcotics trafficking. The economic difficulties facing the current government have reduced the capabilities of the security forces. Nevertheless, the Ministry of Government -- responsible for police affairs -- is in the process of forming a new anti-narcotics unit, and has requested assistance from the USG to train and equip the unit. The National Assembly has two laws in committee designed to replace the current, antiquated narcotics-control law.

Pakistan Although in 1991 Pakistan took several much needed steps to enhance counternarcotics enforcement measures, its overall effort needs much improvement if it is to cope effectively against the pressure of drug trafficking from its frontier areas and from Afghanistan. The Anti-Narcotics Task Force (Elite Units), established to investigate and collect evidence for prosecutions of major drug traffickers, was empowered by Presidential Order. The Pakistani courts were authorized to supervise the collection of samples for evidence and the destruction of large, captured caches. Permanent legislation was drafted to control imports of acetic anhydride and to dispose of all seized illicit quantities of it.

Government of Pakistan (GOP) seizures of 19 mt of acetic anhydride at the end of 1990 resulted in a heroin shortage and price increase during the first half of 1991. Two major traffickers were convicted and another is under arrest. These indications of increased GOP action on counternarcotics were supplemented by continued enforcement of the opium poppy cultivation ban in growing areas and greater efforts to reduce domestic abuse through public educational and governmental programs.

Corruption continues to be a significant problem. The GOP has not investigated or taken action against alleged traffickers in the Cabinet and National Assembly. Although GOP forces raided three labs in the Northwest Frontier Province (NWFP) in 1991, no other significant action was taken against more than 100 remaining heroin laboratories.

Panama. The Government of Panama (GOP) continues to make progress on the narcotics control front. In 1991, Panama had confiscated nearly 10 mt (9,800 kg) of cocaine, more than doubling the amount seized in all of 1990 -- itself a record year. Seizures of cannabis have skyrocketed from just over 100 kg in 1990 to over 9,800 kg through the third quarter of 1991. Nonetheless, Panama continues to be used by traffickers as a transshipment point for drugs and essential chemicals and as a money laundering center.

To combat this, the United States and Panama have signed several important law enforcement agreements, including a Mutual Legal Assistance Treaty (which has been approved by Panama's legislature and is currently awaiting advice and consent by the U.S. Senate), and an agreement for the control of essential chemicals. Under another new agreement, the United States and Panama can jointly patrol Panama's coasts and take law enforcement action against traffickers. The Endara government has also made the political decision to establish a Joint Information Coordination Center (JICC) in Panama to coordinate narcotics control efforts.

Money laundering remains Panama's most serious narcotics control problem. Panama has cooperated with the United States in virtually all instances; however, limited resources are restricting Panama's ability to fight this crime. The United States provided training to Panamanian officials to help them detect and punish money launderers.

Panama has made some progress against money laundering, which we expect to continue. For example, the Panamanian Attorney General's office has been rigorous in interpreting the Panamanian anti-drug trafficking and money laundering statute and vigorous in supporting its interpretation in court, while the Panamanian Supreme Court has upheld the Attorney General's authority to subpoena bank records and to freeze bank accounts when related to an ongoing criminal investigation. Since 1989, the GOP has frozen several hundred bank accounts associated with suspected money laundering, and has made available bank records in over 400 cases from twelve different banks for use in U.S. investigations and prosecutions. The first Panamanian prosecution ever of a money laundering case is set to begin in 1992. In this regard, the USG is assisting the GOP to strengthen its judicial system.

The USG is also assisting Panamanian private and public institutions to assess the extent of the country's domestic drug problem and to develop public awareness and demand reduction programs.

Paraguay. During 1991, the Government of Paraguay (GOP) continued to make progress in its efforts to establish a credible counternarcotics program. The year was characterized by close Paraguayan cooperation with U.S. law enforcement authorities and by significant efforts to improve coordination with anti-narcotics forces in neighboring countries. A new joint police-military strike force began to mount anti-narcotics operations.

The GOP reorganized its drug control forces, created a drug czar's office, heightened enforcement activity, improved regulation of the financial sector and expanded prevention programs for domestic drug abuse. In this regard, the USG is helping the GOP to assess domestic drug consumption, while strengthening public awareness, education and prevention programs.

The GOP anti-drug effort is on the right track, but corruption and drug money laundering remain particular concerns. While the GOP has begun to address these issues, much remains to be done to fight narcotics-related corruption and increase the momentum, consistency and effectiveness of enforcement efforts.

Peru. Despite an increased Government of Peru (GOP) commitment to the goal of stemming the illegal drug trade, institutional and logistical barriers have hindered Peru's counternarcotics efforts. Terrorism, lack of resources, economic stagnation, civil violence, the debilitation of governmental institutions, and widespread corruption limited the government's ability to curb coca cultivation, processing, and export in 1991.

Lab and airstrip destruction and seizures of cocaine base and precursor chemicals were down in comparison to 1990. Coca cultivation and illegal cocaine base processing spread to areas beyond the Upper Huallaga Valley (UHV) as insurgent violence, soil degradation, military actions, and police counternarcotics operations created unfavorable conditions for narcotics trafficking in the UHV. These factors, along with a well-organized program of seedbed eradication in the previous two years, also contributed to a slight reduction in the total amount of coca cultivated in Peru.

The police continued their anti-narcotics programs in both the countryside and the cities. In addition, members of the armed forces recognized their responsibility to support narcotics enforcement, as it became apparent that trafficker-supported internal subversion had become a serious threat. Especially noteworthy was the Peruvian Air Force's intercept campaign, in which it used its own scarce resources and assets to force down narcotics-carrying aircraft.

The increasing violence of the Shining Path and Tupac Amaru insurgent groups had a major effect on the conduct of counternarcotics operations. The ability of the Army to support counternarcotics efforts was adversely affected by narcotics corruption in the field, and a lack of resources. There were some signs of positive change as the Army logistically supported two major police counternarcotics operations and provided Santa Lucia Police Base with security and a liaison officer to coordinate narcotics efforts.

Discussions between the USG and GOP aimed at intensifying Peruvian counternarcotics efforts resulted in an agreement on drug control and alternative development which the United States and Peru signed in May.

The GOP, as a condition for receiving economic and military assistance, agreed to improve military and police human rights performance, as well as to intensify counternarcotics actions. Implementation of a significant alternative development program to wean growers away from coca to legitimate activities will be dependent on restoration of security to growing areas, reform of cumbersome government regulations, and a stronger law enforcement effort to force down the price of coca at the farmgate.

The Philippines. Marijuana production and trafficking continued to be the dominant narcotics export problems facing the Philippines, while methamphetamine remained the drug of choice among a growing community of users. Although the Philippines neither produces nor exports opium or heroin, its geographic location and limited law enforcement capabilities have made it an attractive transit point for the heroin trade aimed at the U.S. and Europe.

Senegal. Good air and sea connections have made Senegal a transit point for narcotics moving from Africa to Western Europe and North America. The amount of trafficking, principally via Dakar's Dakar-Yoff International Airport, continued to rise. Senegal is a signatory to several international treaties and has local legislation to combat the illicit trade in narcotics. However, a paucity of local resources, weak border controls, and a low standard of living limit Senegal's ability to make a significant dent in the drug trade through its ports.

Singapore is neither a producing nor a processing center for narcotics, but international traffickers use the country as a storage and transit area for shipments as well as for laundering their profits. In 1991, Singapore became a party to and participated in meetings of the Financial Action Task Force (FATF) for the first time. The government has also drafted legislation on asset forfeiture with a provision for money laundering that is targetted against drug traffickers. This legislation should be approved by the Singapore Parliament in 1992. Domestically, Singapore has a strong drug abuse control program, as well as strong anti-narcotics laws which punish drug traffickers severely.

Suriname received no USG narcotics control assistance in 1991. It recently has become a significant transshipment point for the movement of cocaine from South American production areas, principally to Europe. Suriname is also a conduit for precursor chemicals destined for processing facilities elsewhere in South America. Narcotics-related corruption has taken on serious proportions in Suriname, and leading traffickers reportedly enjoy the protection of the country's politically powerful military. Civilian government officials announced in 1991 their intention to toughen narcotics laws, increase law enforcement capabilities, and heighten international cooperation against narcotics. Practical measures, however, remained unimplemented in 1991, as a result of the Surinamese Government's inability to engage in meaningful enforcement action and to control its military.

Syria is a transit point for illicit drugs and a suspected site for the refining of small amounts of heroin. Syrian military and government officials reportedly facilitate and participate in drug production and trafficking in the Bekaa Valley of Lebanon.

Syria has not yet shown a willingness to take effective anti-drug actions on its own against these illicit activities. Although the Syrian Government continued its discussions with the USG on narcotics cooperation, and expanded its liaison relationship with the DEA, it has not taken adequate steps on its own to demonstrate a serious, sustained commitment or effort to deal effectively with narcotics trafficking.

Thailand remains the key to USG narcotics interdiction efforts in Southeast Asia. The USG has strong drug-related law enforcement, intelligence and assistance ties with the Royal Thai Government (RTG) that extend back 25 years. Cooperation between Thai and U.S. law enforcement agencies continues to be close and mutually beneficial. The substantial flow of narcotics through Thailand is obvious, as evidenced by two large (443 kg and 315 kg) and many small heroin seizures in 1991. Thai counternarcotics police have been unable to keep up with the increased pressure of drugs flowing from Burma and Laos through the country. The Thai have not arrested many major traffickers and enforcement efforts focus on petty possession. Corruption, as well as collaboration with Burmese traffickers along the Thai-Burma border hinder stronger drug law enforcement efforts.

Thailand, however, did take a major step in August with the passage of narcotics conspiracy and asset forfeiture laws. These laws should provide the basis for a more effective effort against major drug traffickers in the future. The USG is providing training on implementation of these laws. In addition, a new extradition treaty with the United States came into force in May. Thailand is expected to ratify the 1988 UN Convention as well as the U.S.-Thailand Mutual Legal Assistance Treaty in 1992.

Although the area devoted to opium cultivation in Thailand actually decreased from 1990 to 1991, estimated production declined slightly as a result of lower yield factors. However, production is only about two percent of Southeast Asian production. A joint USG-RTG program eradicated 500 ha more of opium in 1991 than in 1990. The United States and other donors have funded crop substitution projects for many years which have helped turn farmers away from opium production.

Turkey is struggling against a rising tide of narcotics trafficking. Over half of all drug seizures and arrests in Europe involve Turkish traffickers and narcotics which come from Turkey. There are reports that heroin laboratories have begun to appear in isolated areas of the country. Bilateral cooperation from the United States and other countries has assisted Turkey in obtaining equipment and training to deal more effectively with the heroin traffic.

During 1991, numerous cooperative investigations coordinated by DEA offices in Ankara and Istanbul were successful and resulted in hindering the flow of heroin across Turkey and of essential chemicals into the country.

The Government of Turkey is keenly aware of Turkey's position in the narcotics chain and is working to diminish both the heroin supply passing through Turkey and that which is being processed in country. Record numbers of narcotics and laboratory seizures were made by Turkish authorities. The government's success in controlling licit poppy cultivation continues with virtually no reported leakage into illicit channels because of strict controls imposed by the government.

Venezuela. The Government of Venezuela (GOV) showed its concern with the spread of narcotics trafficking when President Perez made a ground-breaking national drug speech in June. He warned that Venezuela is no longer simply a transit country, but a base of operations. Venezuela ratified the 1988 UN Narcotics Convention and announced several new initiatives to galvanize the GOV's drug control efforts. Chief among these were: the creation of a Unified Drug Command under the Minister of Interior; new measures to identify and combat drug money laundering, including implementation of the U.S./Venezuelan money laundering agreement; institution of chemical control measures implementing the 1988 UN Convention; revision of the National Drug Law; creation of a National Drug Prevention Commission; and establishment of a Drug Task Force under the Ministry of Foreign Affairs.

Stepped-up law enforcement activities on the part of major GOV anti-drug agencies resulted in record seizures. Law enforcement authorities seized 10.5 mt of drugs, more than double the amount seized in 1990, and more than triple the amount seized in 1989. In December, with the help of the GOV authorities, USG authorities seized 14.3 mt of Colombian cocaine in a single drug case originating in Venezuela.

Corruption and money laundering remain acknowledged problems in Venezuela. While the GOV is making an effort to deal with these problems, much remains to be done.

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PLANS FOR THE FUTURE

INM's 1992/1993 Agenda

The principal lesson of 1991 has been that persistent, concerted action at the most vulnerable links of the grower-to-user chain is the only way to defeat the drug trade. The decline in coca cultivation, together with the increase in drug seizures, underscore the progress possible under a strategy which combines interdiction as close as possible to the source of production with crop control efforts, economic and development assistance, and public awareness campaigns. We can only sustain this progress, however, if we can build upon 1991's level of collective commitment.

Success hinges upon political will. The advances of 1991 demonstrate that important gains are possible when the governments which suffer most from the effects of the drug trade treat drug trafficking as a threat to their own national security, a threat which requires a serious commitment of their own scarce national resources. In the year ahead, the principal narcotics producing and transit countries, assisted by the USG, must work together to sustain the commitment of political will which made the advances of 1991 possible.

In 1992, the USG will continue to use its resources to advance the international effort against drug production and trafficking. In addition to strengthening bilateral programs with the major drug producing and trafficking countries in both hemispheres, the USG will intensify its efforts to engage the European nations, Canada, Japan, and Australia more actively in the drug war. We will also call upon international organizations to take a more active role in encouraging member countries to press forward with regional drug control strategies.

During the next year, The State Department Bureau of International Narcotics Matters (INM), in coordination with other USG agencies, will carry out the President's National Drug Strategy in the following ways:

LATIN AMERICA AND THE CARIBBEAN

South America

Colombia. The USG will continue to work closely with the Government of Colombia (GOC) to sustain the momentum achieved against traffickers and their infrastructure in 1991.

The USG is helping to train, equip, and support security forces that will continue to interdict drugs and disrupt narcotics trafficking infrastructure by arrest, seizure, and prosecution. Continued USG assistance will focus on increased resources for the Colombian National Police, which spearheads counternarcotics efforts in Colombia, and on assisting the GOC to reform its judicial system.

In accordance with the President's Andean Strategy and the declaration issued at the Cartagena Drug Summit, the USG will support the GOC's economic reform, trade expansion, regional economic reform, regional economic growth, and drug awareness projects, along with a strong drug interdiction program. Success of President Gaviria's counternarcotics policies hinges on reforming and streamlining the legal system. The USG is assisting the GOC to increase the competence of prosecutors and judges and to undermine trafficker efforts at intimidation and corruption. The USG is also increasing judicial protection programs and supplying technical support packages to help judges keep pace with their caseload as Colombia moves from an inquisatorial to a prosecutorial system of justice. Judicial reform will be complete when the GOC can successfully arrest, prosecute and incarcerate drug kingpins in Colombia.

Bolivia. As the second largest producer of coca leaf, and possibly the second largest producer of refined cocaine, Bolivia holds a key position in the Andean Strategy to reduce, and ultimately eliminate, the production and refining of cocaine products for export to the United States or other markets, or for domestic use. During the coming year, narcotics control program activities will continue to support the development of Government of Bolivia (GOB) institutional capabilities to conduct effective counternarcotics law enforcement operations and enforce existing law.

Narcotics control objectives in Bolivia for 1992 include additional large-scale joint police and military actions against major traffickers and trafficking organizations, sustained forced and voluntary coca eradication efforts, further development of the riverine program, an increasing capacity of the GOB agencies charged with controlling the marketing and transport of coca leaf, and controlling the licensing and transport of precursor chemicals.

Pursuant to provisions of the Coca and Controlled Substances Law, the coca eradication target for 1992 is 7,000 ha. Results of the 1992 integrated counternarcotics strategy involving law enforcement, eradication, alternative development, and demand reduction will include more seizures, more major traffickers in jail, increasing participation in the alternative development programs, greater public awareness of the dangers of narcotics production and trafficking, and a net reduction in coca cultivation for the third consecutive year.

Peru. Since two-thirds of the world's coca grows in Peru, the USG must continue to work with the Government of Peru (GOP) to develop effective programs to stop the production and trafficking of coca products. This will require an enforcement approach that integrates individual programs, such as aerial interdiction or money laundering investigation, into a comprehensive attack on major trafficking organizations, reflecting the national and international scope of their operations. Further work in regional alternative development is planned with emphasis on rehabilitating roads and infrastructure, and developing markets for non-coca agricultural produce in and around the Upper Huallaga Valley (UHV). Economic assistance will continue to promote judicial reform, public awareness of the narcotics problem, and other means of general economic expansion.

The Sendero Luminoso (SL) and Tupac Amaru Revolutionary Movement (MRTA) control most, if not all, areas of narcotics trafficking and cultivation. The actions of these groups will continue to occupy the security forces, and affect adversely the pace of police counternarcotics operations or alternative development activities. There are few indications that the GOP will be able to maintain full government authority in these areas in the near future. Without adequate security, alternative development cannot be carried out.

In a trend noted in 1991, the narcotics industry will continue to move out of the UHV into other areas, driven out by intensified enforcement efforts, higher costs because of insurgent control of narcotics markets, and intensifying violence in the area. GOP counternarcotics efforts must meet this challenge by cutting off this expansion during its early stages, and providing the necessary economic alternatives to move coca producers into the legitimate economy.

Realistic objectives for 1992 are (1) USG assistance programs will begin deliveries of narcotics-related training and equipment; (2) the GOP will implement an integrated national counternarcotics strategy whose enforcement, alternative development, and other elements are coordinated with mutually agreed upon strategic objectives; (3) joint enforcement programs, including air interdiction, airport control, and raids on processing centers, will have an observable effect in disrupting specific major trafficking organizations identified as targets; and (4) adequate security will be provided so that alternative development programs can offer an option for farmers who abandon coca cultivation in favor of other crops and economic activities.

Cocaine Transit Countries. The USG will rely on its well-established and close cooperative relationships with the major cocaine transit countries to continue efforts to stem the flow of cocaine into the United States. Simultaneously, the USG will assist these countries in controlling the flow of essential and precursor chemicals to the narcotics producers.

Information gathering facilities, such as the Caribbean Basin Radar Network, and information processing facilities, such as the Joint Information Coordinating Centers, will be supported and expanded. Assistance will be provided to cooperating governments to strengthen narcotics law enforcement, judicial processing, including prosecution of public officials for narcotics-related corruption, and money laundering controls. Those countries that produce drugs will receive eradication assistance. The USG will further support demand reduction programs, especially the expansion of these beyond the capital cities.

Mexico. Despite intensified interdiction action against South American cocaine shipments and strong assaults against domestic opium and cannabis cultivation, Mexico is likely to remain a country of tremendous interest to the U.S. National Drug Strategy for the foreseeable future. The USG will continue to work closely with the Government of Mexico (GOM) to sustain the momentum in the broad array bilateral anti-drug efforts. It will also continue to provide technical assistance to the GOM's increasingly complex and sophisticated anti-drug programs. We anticipate working closely with Mexico internationally, particularly in neighboring countries of Central America.

Mexico's national anti-drug strategy, like that of the United States, calls for an intensified campaign, waged simultaneously on all fronts. The GOM has announced that significantly increased resources will be directed toward this effort. The strategy mandates closer cooperation among Mexican agencies responsible for combatting drug trafficking. It calls for greater participation by the state authorities in the national effort and places greater emphasis upon prevention of drug abuse and treatment of addicts.

The plan also endorses stronger regional and international cooperation. The GOM will press for greater regional coordination and exchange of information on trafficking patterns, demand reduction, drug prevention and treatment, epidemiological research, community mobilization techniques, etc. The GOM has announced that it will assume more of the financial costs of bilateral programs. This should permit the USG to focus its resources on training and specialized equipment, while working with Mexico in regional undertakings.

Central America. The USG will concentrate on improving the region's ability to interdict and seize trafficking conveyances (land, sea and air) that are detected by USG and with their own resources. Wherever possible, we will recommend regional cooperation so as to maximize use of scarce resources. Coincidental with improvement in enforcement capability, we will continue efforts to strengthen existing narcotics laws, and administration of justice. In particular, effective counternarcotics laws should have provisions for asset forfeiture, conspiracy prosecution, money laundering and stiff, minimum penalties.

ASIA AND AFRICA

During FY 1992, we will continue to emphasize the importance of regional and multilateral cooperation to address opium cultivation and heroin production and trafficking. We will encourage regional organizations and other donor countries as well as the UN to take the lead in developing and supporting programs in areas unreceptive to USG involvement. Where possible, INM will continue to fund bilateral counternarcotics law enforcement and demand reduction training and programs. Rapidly changing political realities in Central Asia and Africa will require increased programmatic flexibility and responsiveness.

Laos. The USG will continue to support the two-year-old crop substitution project in Houaphanh Province which appears to have had an impact in reducing opium production in the project area. The USG will continue its funding of roads, dams, and other infrastructure projects as part of a comprehensive effort to provide alternative crops to traditional growers. As budgetary resources permit, the USG will also fund a law enforcement project that would provide much-needed equipment to various enforcement units. The USG will continue to raise the issue of narcotics-related corruption among elements of the Lao Government.

Pakistan. USG cooperation with the Government of Pakistan (GOP) during FY 1992 will focus on the activation of the Anti-narcotics Task Force to investigate major traffickers and laboratories in the Northwest Frontier Province (NWFP) as well as the rapid implementation of new laws when passed by the National Assembly. Efforts will continue to expand the opium cultivation ban along the Afghan border as well as to further road-building development projects in the districts of Bajaur and Mohmand to extend GOP authority into "politically inaccessible" (autonomous) regions.

The USG also will cooperate with the UN International Drug Control Program (UNDCP) to counter opium poppy growing and to extend government authority into poppy growing valleys of upper Dir District. The USG and UNDCP will also continue to collaborate on demand reduction programs. Support for law enforcement activities will be directed exclusively at those GOP law enforcement agencies which demonstrate the interest, capability and effectiveness to prosecute major traffickers as well as to destroy the numerous heroin laboratories operating in remote northern areas. As in other major drug producing countries, the USG will continue to encourage the GOP to deal more effectively with corruption at all levels of the system.

Thailand. The USG will continue to support Thai law enforcement efforts in 1992 while gradually reducing its support for narcotics crop control. Given the passage of conspiracy and asset forfeiture laws, Thailand is now well suited to attack the organizations behind the trafficking of narcotics. The USG will provide training for enforcement and judicial officials on the mechanics of implementing the new laws.

The USG will continue to provide commodity support to various enforcement agencies since their role is critical in stemming the flow of heroin from Burma. The relatively small amount of domestic production warrants less emphasis on funding the annual eradication campaign and associated village development programs.

GLOBAL SUPPORT

INTER-REGIONAL AVIATION SUPPORT

INM Air Wing. Aircraft of the State Department's Bureau of International Narcotics Matters (INM) will continue to conduct anti-narcotics missions in Peru and Bolivia as well as eradicate opium poppy in Guatemala and possibly Colombia. The USG anticipates intensified training of foreign nationals to fly INM aircraft on operational missions, with a consequent phasing-down of USG contractor personnel. This is taking place in Peru where full "Peruvianization" of the air operations will occur by May 1, 1992. DOD military officers will continue to provide INM with the requisite expertise to manage Air Wing assets more effectively.

INTERNATIONAL ORGANIZATIONS

In the coming year, the USG will encourage UNDCP to work in areas where the USG has less influence and to increase efforts to enlist other UN agencies to support drug control objectives. The USG will target its annual contribution to the UNDCP toward projects that are in line with the U.S. National Drug Control Strategy but that also support the new orientation to subregional programs. An example of this new approach will be a joint UNDCP subregional project in Thailand, China, and Burma. In addition, the USG will continue to support efforts to enhance the evaluation of programs with the goal of making them more effective.

The UN this year will consider expanding the list of chemicals which fall under the control of the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. We expect that the Dublin Group's efforts to increase on the ground coordination will result in expanded support for drug control efforts directed at both heroin and cocaine. Additionally, the USG will hold a Dublin Group meeting in Bogota this Spring, to assess ways that DG members can provide assistance to the Colombian judicial system.

In 1992, the Financial Action Task Force (FATF) and the Chemical Action Task Force (CATF), both mandated by the annual Economic Summit, will continue their outreach activities to have more nations comply with their recommendations and will look for ways to make their guidelines even more effective.

DEMAND REDUCTION AND TRAINING

During 1992, INM will expand demand reduction training and technical assistance to 3,000 participants in 33 countries. Emphasis will continue on developing prevention and treatment infrastructure in Latin America and Southeast Asia. To further this development, INM will pursue the development of regional training centers in Argentina and Thailand, in cooperation with the Daytop Village Foundation, the EC, the UNDCP, the Colombo Plan, and the OAS. The program will continue to provide assistance in specialized areas such as public awareness, epidemiology, and community organizing/mobilization techniques.

INM will conduct joint school-based drug prevention training with the Government of Mexico in Central America. To further strengthen regional ties among cooperating countries, the demand reduction program will be implemented, where appropriate, through regional organizations in the Americas (OAS) and Southeast and Southwest Asia (Colombo Plan).

INM will pursue development of the "street kids" drug prevention projects in Peru and Brazil in cooperation with the OAS, EC and UNDCP.

To avoid duplication of effort, INM will continue to maintain a database on international demand reduction activities undertaken by agencies of the United States Government, other nations, and by major international and regional organizations.

LAW ENFORCEMENT TRAINING

For FY 1992, INM will continue to support its successful program of anti-narcotics training for foreign law enforcement personnel. We continue to see reporting on significant seizures of narcotics by foreign students and organizations which have benefitted from these programs, which are presented by officers from the U.S. Drug Enforcement Administration, the U.S. Customs Service, and the U.S. Coast Guard. In general, we also see a higher level of awareness and better cooperation on law enforcement from the countries receiving INM-sponsored programs, particularly on specialized enforcement concerns such as money laundering.

The 1992 training program will see a greater focus on institution-building in countries that cooperate with the U.S. on anti-narcotics matters. There will be a number of programs to train the personnel who conduct and manage host country training programs. We will also see a greater emphasis on development of training programs that are tailored to deal with an immediate and specific law enforcement requirement in the host country, such as the creation of a special drug squad.

U.S.-funded training of foreign enforcement personnel as narcotic detector dog handlers will now take place at the U.S. Customs facility in Front Royal, Virginia, rather than at the Lancashire Police School in England, as had been the case over the last few years. This will make it much easier to follow the progress of students as they work through this program, and should promote a better rapport among graduates from the program with U.S. enforcement interests.

FY 1993
INTERNATIONAL NARCOTICS CONTROL PROGRAM
FISCAL SUMMARY
($ in thousands)

Country Program	FY 1991 Enacted	FY 1992 Request	FY 1993 Request
Latin America			
Bahamas	$ 1,200	$ 1,200	$ 1,200
Bolivia	15,700	15,700	17,000
Brazil	2,500	3,500	2,500
Colombia	20,000	20,000	22,000
Ecuador	1,500	3,000	2,000
Guatemala	--	--	3,000 *
Jamaica	1,400	1,500	1,500
Mexico	19,300	26,000	27,000
Peru	19,000	-- **	19,000
Venezuela	1,000	2,000	1,500
Latin America Regional	6,350	27,000 **	5,400
Subtotal	87,950	99,900	102,100
Asia/Africa/Europe			
Laos	1,350	2,000	2,000
Thailand	4,000	5,000	4,000
Pakistan	4,650	7,500	4,800
Turkey	350	400	400
Asia/Africa/Europe Regional	800	2,000	2,000
Subtotal	11,150	16,900	13,200
Interregional Aviation Support	33,450	37,800	40,200
Total Country Programs	132,550	154,600	155,500
International Organizations	4,800	4,600	4,000
Interregional Programs	7,000	7,000	7,500
Program Development & Suppo	5,650	5,300	6,000
TOTAL INC PROGRAM	***$ 150,000***	***$ 171,500***	***$ 173,000***

See following page for footnotes.

* For Fiscal Years 1991 and 1991 funding for Guatemala was included in the Latin American Regional Account.

**Funds for assistance to Peru were not included as a separate country in the FY 1992 budget request. Instead, $19 million designated for Peru ($18 million program activities, $1 million PD&S were included in the Latin American Regional Account, to be programmed for Peru on condition of a satisfactory counternarcotics program.

FY 1993
INTERNATIONAL NARCOTICS CONTROL PROGRAM
BY FUNCTIONAL ACTIVITY
($ In thousands)

	FY 1991 Enacted	% OF Total	FY 1992 Request	% OF Total	FY 1993 Request	% OF Total
Enforcement Assistance and Interdiction	94,825	63	108,605	63	110,570	64
Crop Control and Eradication	22,210	15	27,210	16	27,900	16
Income Replacement/ Development Assistance	4,427	3	7,125	4	4,850	3
International Organizations	5,400	4	4,600	3	4,000	2
International Drug Demand Reduction	3,014	2	3,765	2	3,355	2
Training *	5,376	4	5,400	3	5,800	3
Program Development and Support	14,748	10	14,795	9	16,525	10
Total Program	150,000	100	171,500	100	173,000	100

* Includes centrally funded training only.

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LEGISLATIVE BASIS FOR THE INCSR

The Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with the provisions of Section 481 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2291).

The 1992 INCSR is the sixth annual report prepared pursuant to Section 481(e) of the Foreign Assistance Act of 1961, as amended (the "FAA"). The INCSR provides the factual basis for the President's certifications pursuant to Section 481(h) which requires that certain kinds of assistance be withheld at the start of each fiscal year from major illicit drug producing and major drug transit countries, pending certification by the President the following March 1.

The law requires the President to certify every major illicit drug producing country or major drug transit country that cooperated fully with the United States in the previous year, or took adequate steps on its own, with respect to illicit drug production, trafficking and money laundering. Alternatively, the President may certify countries that would not qualify under these terms on grounds that the national interests of the United States require the contingency provision of foreign aid to such countries. Or, the President may deny certification, causing statutory sanctions to be imposed.

As in the past, this year's INCSR, provides the factual basis for the President's 1992 certifications. It contains information in accordance with Section 481(e) of the FAA and the following legislative requirements:

- Public Law 99-570 [Anti-drug Abuse Act of 1986]: Section 2013(a), as amended by Section 4404 of the Anti-drug Abuse Act of 1988, P.L.100-690 (country chapters); Section 2015 (b)(3) (country chapters);

- Public Law 100-690 [Anti-drug Abuse Act of 1988]: Section 4202(b) (country chapters); Section 4309 (Laos country chapter); Section 4401 (country chapters); Section 4402 (country chapters); Section 4601 ("Other Assistance" chapter of INCSR).

Statement on Certification

Section 481(h)(2)(A) of the FAA requires that the President certify whether major drug producing and drug transit countries have "cooperated fully" with the United States, or taken adequate steps on their own, with regard to preventing illicit drug production, drug trafficking, drug-related money laundering and drug-related corruption.

The statute provides, alternatively, that the President may waive the need for certification, on grounds of vital national interest, countries which would not otherwise qualify for certification.

In weighing recommendations on certification to the President, the Department has looked to the law, before and after amendment by the 1986 and 1988 Acts, for guidance in determining the meaning of "cooperated fully" and "taken adequate steps." Particular adherence was given to the requirements of Section 481 (h)(2)(C), the "Chiles Amendment" which requires bilateral or multilateral cooperation agreements as an absolute condition of certification that a country has "cooperated fully."

Section 481(h)(3) of the FAA requires that the President, in making certifications, shall give foremost consideration to whether the actions of the government have resulted in the maximum reductions in illicit drug production which were determined to be achievable.

The President must also consider, among other things, whether the government has taken the legal and law enforcement measures (A) to enforce, to the maximum extent possible, the elimination of illicit cultivation and the suppression of illicit manufacture and trafficking in narcotic drugs and psychotropic substances -- as evidenced by seizures of such substances and of illicit laboratories, and arrest and prosecution of violators, and (B) to eliminate to the maximum extent possible the laundering in that country of drug-related profits or drug-related monies -- as evidenced by enactment of money laundering laws, willingness to enter into Mutual Legal Assistance Treaties (MLATs), and other cooperation on money laundering.

In considering country performances in 1991, the President is also directed by statute to consider programs and actions planned for 1992 and beyond. This two-year appraisal is especially important when remedial actions are necessary.

Use of terms such as "maximum achievable reductions" introduce a concept of variability. Moreover, there is precedence for determining that full cooperation can be a variable term. Earlier amendments to Section 481 have since 1971 made reference to "adequate" cooperation. Section 481(f) requires consultation with the Congress on country determinations and specifies that such consultation shall inter alia include consideration of (1) the nature of the illicit drug production problem, and (2) the climatic, geographic, political, economic and social factors that affect illicit drug production. Thus, 481(f) introduced in 1983 the concept of "cooperation" and "maximum achievable reductions" being variable, a function of numerous factors including relative capability to achieve narcotics objectives.

In developing the recommendations to the President, the Department of State has, therefore, considered each government's relative capability to achieve maximum reductions in production as a foremost priority, and also to develop and enact the legal and law enforcement measures which this statute contemplates.

The Department also considered the question of governmental attitude, that is, whether the government concerned exhibited the necessary determination to fight drug production and trafficking, as well as the nature of cooperation in joint programs with the U.S. This relative capability was viewed as a function of each country's differing political, economic, social, geographic, climatic and resource situations. In this context, full cooperation in crop control and other enforcement can have quite different outcomes.

There are shadings to the recommendations on certifications. Some governments found that their programs could not keep pace with traffickers' efforts to expand cultivation, but adopted new programs or strategies, with new resources, to increase their potential reductions. Other governments, including several with well-established programs, could and should have done more in one or the other criterion category. A number of governments must do more to curb narcotics-related corruption before it countermands their control efforts. Virtually every government can and must do more to arrest and prosecute major traffickers and destabilize networks. Extradition is a significant international tool to counter the trafficking networks.

Ramifications of Certification

The statute makes it clear that there is a definite relationship between provision of foreign assistance and positive performance and effort on narcotics control. The law requires that half of certain kinds of economic and military assistance be withheld, at the start of each fiscal year, pending certification by the President. If the President fails to certify a major illicit drug producing or drug transit country, or if Congress disapproves the certification, the law mandates that the fifty percent of assistance withheld may not be provided and other assistance may not be obligated for that country. Moreover, the United States must oppose new or extended loans to such countries by the multilateral development banks, and, at Presidential discretion, could impose a variety of trade sanctions.

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INTERNATIONAL TRAINING

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INTERNATIONAL TRAINING

More than 4,000 persons from over 100 countries participated in the U.S. Government's international narcotics control training program in FY 1991. Increased funding for training programs compared to FY 1990 allowed a concentration of efforts in more specialized programs to deal with changing narcotics trafficking trends. International anti-narcotics training is managed and funded by INM, and carried out by DEA, the U.S. Customs Service, and the U.S. Coast Guard.

Three major objectives guide the performance of this training: (1) to improve the technical and investigative skills of law enforcement and customs personnel, thereby upgrading drug law enforcement capabilities in key narcotics countries; (2) to promote increased cooperation and coordination between U.S. and foreign law enforcement officials, and (3) to underscore the U.S. commitment to strengthening international cooperation in international narcotics control.

During FY 1991, INM also continued a joint effort with the British Foreign and Commonwealth Office in the area of narcotics detector dog training, as INM-funded candidates were trained at the Lancashire Constabulary in the United Kingdom.

A major portion of INM's training program is for basic law enforcement techniques, because of the continuing demand and demonstrated need for this kind of training. Just as in previous years, the most popular courses during FY 1991 were Maritime Law Enforcement (U.S. Coast Guard), Basic and Advanced Drug Enforcement Seminars (DEA), and Overseas Enforcement Training (U.S. Customs). Special courses were also given on financial investigations, use of contraband enforcement teams, intelligence analysis, port safety and security, narcotic detector dog handling, clandestine laboratories, crime scene management, mid-management techniques and forensic chemistry.

All of INM's programs focus upon improving the technical skills of anti-narcotics police, customs, and coast guard personnel, by giving these individuals a solid background in drug interdiction and law enforcement. Most training in the major program countries of Latin America continues to address the impact of cocaine and marijuana trafficking. During FY 1991, INM also placed emphasis on basic training in those countries which have been victimized as source or transit locations for the increasing threat of heroin trafficking. This included training programs in Africa, Eastern Europe and the Far East.

The number of courses conducted on money laundering investigations continues to grow in response to an increasing demand. Additional courses are being planned in FY 1992, as the need for this type of approach to attacking drug cartel assets becomes more evident.

In principle, operational level officers attend training courses in host countries, while senior, managerial level officers attend training courses in the United States. Whenever possible, officers who previously received training are subsequently trained as instructors.

The Executive Observation and International Visitor Programs are other important components of the International Narcotics Control Training Program. While INM manages and funds the Executive Observation and International Visitors Programs, they are administered in large part by the Customs Service, the Drug Enforcement Administration, the United States Information Agency and the National Institute on Drug Abuse. In addition to allowing policy-level officials from key narcotics trafficking and transit countries to consult with their U.S. counterparts, these programs also provide a first-hand exposure to U.S. narcotics control programs and institutions.

* * *

TRAINING STATISTICS

	Number of Participants	Number of Programs
Drug Enforcement Administration		
Training in U.S.:		
Executive Observation Programs	10	3
Special Observation Program	27	7
International Visitors Program	407	49
Forensic Chemist Seminar	16	1
Int'l. Narcotics Mgt. Seminar	55	2
Subtotal:	515	62
Training in Host Countries:		
Basic Drug Enforcement Schools	596	16
Advanced Enforcement Schools	199	6
Financial Investigative Methods	51	1
Judicial Seminar	66	1
Other	196	2
Subtotal:	1,108	26
U.S. Customs Service		
Training in U.S.:		
Executive Observation Programs	10	5
International Visitor Program	278	116
Mid Management Seminar	12	1
Training in Host Countries:		
Overseas Enforcement Training	558	18
Contraband Enforcement Team	110	6
Train-the-Trainer Workshop	32	3
Money Laundering	25	1
Carrier Initiative Training	747	14
Subtotal	1,772	164
U.S. Coast Guard		
Maritime Law Enforcement	598	26
Subtotal	598	26
Other INM-Sponsored Training		
Narcotic Detector Dog Training	32	7
TOTAL INM TRAINING FY 91	**4,025**	**285**

BLA

OTHER U.S. ASSISTANCE PROVIDED

Section 4601, P.L. 100-690, requires the Secretary of State to provide, as part of this INCSR submission, a report specifying the assistance provided by the United States to support international narcotics control efforts. In addition to the budget for INM, which is provided in the Executive Summary, the report contains detailed tables showing the distribution of economic and military assistance, and USAID narcotics program support.

The report is also to include information on assistance provided by the Drug Enforcement Administration, the U.S. Customs Service, and the U.S. Coast Guard to various countries, and information on any assistance provided by such governments to those agencies. This information has been prepared by the three agencies and is provided in this section.

DRUG ENFORCEMENT ADMINISTRATION

Assistance provided by DEA to various countries falls into six categories, while assistance received generally takes two forms:

Assistance Provided

1. DEA representatives helped identify training needs for foreign drug enforcement officials. Training was provided by the DEA International Training Section to 1,504 foreign nationals in 38 schools and seminars conducted abroad in Basic and Advanced Drug Enforcement Schools, Clandestine Laboratory Seminars, Intelligence and Analytical Methods Schools, Financial Investigative Methods Schools, and Judicial Seminars. Another 141 foreign nationals were trained by DEA in the U.S. through five Executive Observation Programs, one Forensic Chemist Seminar, a Caribbean Regional School, and two International Narcotic Enforcement Seminars. DEA personnel also taught financial intelligence training in a UN-sponsored seminar.

2. DEA representatives helped identify the needs of drug control agencies for technical equipment and assistance necessary for the development of the needed drug control capability;

3. Assisted in developing sources of information;

4. Provided to the extent possible appropriate information which enabled host government officials to carry out investigations of or operations against international illicit drug traffickers;

5. Participated with host country officials in pursuing investigative leads; and

6. Collected, analyzed and provided drug intelligence to host country narcotics enforcement officials in order to integrate the data with enforcement activities in the host country and the United States.

7. SNOWCAP. Highly successful examples of DEA operational support to foreign governments are Operations SNOWCAP and CADENCE. In Peru, under Operation SNOWCAP, a team of DEA Special Agents works with Peru's Guardia Civil Counternarcotics Police conducting air mobile interdiction efforts throughout the Upper Huallaga Valley (UHV). The SNOWCAP Team lives and works with its counterpart police officers at the Forward Operating Base at Santa Lucia. This base, which is centrally located in the UHV, enables us to target processing laboratories anywhere in the UHV where a high threat exists to counternarcotics operations because of ongoing guerrilla insurgency. In 1991, in a a combined operation with the Peruvian National Police, the largest cocaine HCl laboratory outside Colombia was seized near the town of Santa Ana. In November, the team and its counterparts uncovered laboratory activity at Palma Pampa, some 300 miles from the Santa Lucia Base.

In Bolivia, SNOWCAP was instrumental in the conduct of Operation SAFEHAVEN, in which a Bolivian Government force of over 600 police and military personnel established control over a major trafficking town. SAFEHAVEN resulted in the destruction of 11 cocaine base laboratories and five cocaine HCl processing centers. Ranches, residences, vehicles, aircraft hangers, and some 42 aircraft were seized.

In Guatemala, under Operation Cadence, some 14 metric tons of cocaine HCl were seized. DEA Special Agents, working directly with the Guatemalan Guardia de Hacienda (Treasury Police) also confiscated several aircraft and other drug-related assets. The SNOWCAP approach in which U.S. law enforcement personnel work directly with host country participants is supported by continuing dialogue among the participants in the International Drug Enforcement Conference (IDEC). It contributes directly to the successful implementation of the USG's Andean Strategy.

The SNOWCAP strategy and philosophy is expanding beyond Bolivia and Peru. Studies are being conducted to determine the feasibility of employing SNOWCAP Advisors in countries such as Argentina, Guatemala, Mexico, and Venezuela. These studies, supported by ongoing dialogue by participants in the International Drug Enforcement Conference (IDEC) will contribute greatly to the implementation of the law enforcement aspects of the President's Andean Plan.

8. Other Activities. DEA's financial operation section continues to work closely with several foreign governments endeavoring to facilitate the confiscation of funds, conveyances, property, and other assets owned by international narcotics traffickers. Extraterritorial prosecutions, extraditions, and fugitive apprehensions continue to be developed and facilitated through DEA's coo, eration with foreign law enforcement agencies. Likewise, DEA encourages foreign countries to develop drug detection and crop eradication programs.

Formal training in drug law enforcement techniques is provided to foreign counterparts by DEA both in the U.S. and abroad. DEA maintains teams of agents who travel throughout the world conducting training sessions for foreign police officers in such areas as investigative procedures, intelligence gathering, and use of technical equipment.

Assistance Received

1. Intelligence data of an operational nature regarding narcotics violators, organizations, trafficking routes, laboratory suppression, etc., for use by DEA in its efforts to prevent illicit drugs from entering the United States; and

2. Intelligence data of a strategic nature regarding production, consumption and seizures of illicit drugs, trends, etc., for use by DEA in effective policy development, resource deployment, and operational planning.

UNITED STATES COAST GUARD

The U.S. Coast Guard focuses its international anti-drug efforts in two areas: training and combined operations.

Training

Subject to State Department approval and funding, and in response to foreign government requests for assistance, the Coast Guard deploys mobile training teams (MTTs) to source and transshipment countries to improve the law enforcement skills of indigenous maritime police forces.

U.S. Coast Guard maritime law enforcement training of foreign maritime police forces has increased steadily over the years. In the fall of 1987 the Coast Guard created the International Training Team at the Coast Guard Maritime Law Enforcement School in Yorktown, VA.

In FY 1991, Coast Guard mobile training teams provided maritime law enforcement and port security training to 1,090 students in 29 countries: Antigua, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Cape Verde, Chile, Colombia, Cote D'Ivoire, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Honduras, Jamaica, Malta, Marshall Islands, Mexico, Micronesia, St. Kitts, St. Lucia, St. Vincent, United Arab Emirates, and Uruguay.

Combined Operations

Subject to the approval of the Department of State and in response to a foreign government request for assistance, the United States Coast Guard deploys resources (ships, aircraft etc.) to operate with the maritime police forces of various source and transshipment countries.

The purpose of these "combined" operations is to motivate and further develop indigenous interdiction forces. Conducting combined operations with foreign maritime interdiction forces results in on-the-job-training for both the foreign forces and U.S. Coast Guard personnel. Countries must have competent forces in order to be considered for combined operations with U.S. Coast Guard forces.

However, countries desiring combined operations whose forces are insufficiently developed for such operations may receive U.S. Coast Guard training. The Coast Guard is working to better coordinate international training efforts abroad with our scheduled combined operations.

Combined operations have a successful history, and help foster friendly relations with allies and neighbors. Combined operations have led to short term bilateral agreements which facilitate the operations. Types of agreements include overflight authority for U.S. Coast Guard surveillance aircraft, permission to enter foreign territorial waters to carry out enforcement actions, and shiprider agreements to facilitate coordination between forces.

Continued combined operations have led to permanent bilateral/trilateral agreements such as with Operation Bahamas and Turks and Caicos (OPBAT). In this agreement the Coast Guard provides airborne transport of Bahamian and Turks and Caicos law enforcement officials as well as U.S. Drug Enforcement Administration agents. U.S. Coast Guard combined operations have steadily increased over the past several years. Emphasis on conducting combined operations with foreign interdiction forces should continue and could eventually result in the ultimate force multiplier (i.e. foreign source and transshipment countries forces conducting "totally independent" drug interdiction operations).

In FY 1991, combined operations by the U.S. Coast Guard were conducted with the Bahamas, Belize, Bolivia, British Virgin Islands, Costa Rica, Dominica, Grenada, Panama, St. Kitts, St. Lucia, St. Martin (French), St. Vincent, Trinidad & Tobago, United Kingdom, and Venezuela.

In addition to bona fide "combined operations", the U.S.Coast Guard has conducted "coincidental" operations with Mexican Naval assets in the Pacific as well as in the Gulf of Mexico. During these operations Coast Guard assets do not deploy to other countries to assist their interdiction forces, instead, coincidental operations have Coast Guard and Mexican Naval assets operating simultaneously and exchanging on-scene information which may assist in the interdiction of drug traffickers.

Other Activities

The United States Coast Guard conducts other activities abroad that, though not necessarily funded by the Department of State, directly or indirectly benefit international narcotics control efforts.

United States Coast Guard personnel are permanently stationed in several American Embassies located in source and transshipment countries. These Coast Guard positions are sponsored by various U.S. programs. Officers are posted in Antigua, The Bahamas, Panama, Costa Rica, Barbados, Haiti, Jamaica, Mexico, Colombia, Bolivia and Venezuela.

The Coast Guard's Drug Interdiction Assist Team (DIAT) continued to support the Waterways Law Enforcement (WLE) program, a U.S. Government initiative to disrupt the cocaine supply at its source. Throughout FY 1991, DIAT maintained a continuous presence of six members in Bolivia and two in Ecuador to provide WLE training and assistance. When deployed, DIAT personnel are at the disposal of the U.S. Ambassador. In Bolivia, DIAT operations are funded by the Drug Enforcement Administration, and in Ecuador the Department of State funds DIAT operations. The Coast Guard also participates in multi-national training exercises like the U.S. Navy sponsored UNITAS program (South/Central America) and WATC program (West Africa) which provided training and operational assistance to 786 personnel in 16 countries.

The United States has transferred decommissioned U.S. Coast Guard 95-foot and 82-foot patrol boats to various foreign countries. Of interest to this report are the transfer of two 82-foot patrol boats to Mexico, one 82-foot patrol boat to Costa Rica and one 82-foot patrol boat to Panama during FY 1991. Over the next few years, the Coast Guard will decommission several more 82-foot patrol boats that will be considered for transfer to transshipment and source country maritime interdiction forces on a case-by-case priority-of-need basis.

UNITED STATES CUSTOMS SERVICE

International drug interdiction training is a vital segment of the activities, interests, and mission of the U.S. Customs Service. Training is funded and approved by the Department of State and provided to drug control agencies with an interdiction responsibility in countries considered significant to U.S. drug control enforcement efforts.

In FY 1991, 38 programs were conducted or coordinated involving over 700 participants in more than 45 countries. This annual schedule included five Executive Observation Programs (EOP), 15 Overseas Enforcement Training (OET) Programs, for individual countries; three Regional OET's for two or more countries; four Contraband Enforcement Team (CET) programs; three Train-the-Trainier Workshops (T3W) linked to OET, regional OET or CET programs: one Mid management (MM) Seminar; one Regional Money Laundering Seminar (RMLS); and two Short Term Advisory (STA) Projects.

In addition to the above scheduled programs, U.S. Customs provided the following training assistance:

** A Short-term Advisory/Assistance Project was designed and conducted to provide guidance and training to the newly formed CET of the Nigerian National Drug Enforcement Agency.

** A Short-term Advisory/Assistance Project was made available to a number of Caribbean countries to increase their skills in the use of interdiction equipment which will later be provided by the United Nations Drug Control Program.(UNDCP)

** A special program consisting of classroom training and practical exercises was conducted in the Turks and Caicos Islands in response to a request from the Governor General and the American Embassy in Nassau.

** A unique International Money Laundering Seminar was held in Panama. U.S. Customs served as the lead agency for this two-phase program. Phase One consisted of on-site money laundering assistance and on-the-job training. Phase Two was a formal ten-day intensive seminar. This course was provided to high level Panamanian law enforcement officials from several agencies, as well as from the banking community. It included an in-depth segment for investigators. The instructional staff was drawn from Department of Justice attorneys/prosecutors, Drug Enforcement Agency (DEA) investigators, and Customs money laundering experts.

FY 1991 was the first year INM funded aspects of the training in narcotics security techniques provided by U.S. Customs to managers and employees of private carrier companies under the Carrier Initiative Program (CIP). CIPs were conducted for Antigua, Barbados, Costa Rica, Chile, El Salvador, Guatemala, Honduras, Japan, Nicaragua, Peru, Taiwan and Uruguay.

Activities not funded by INM featured a wide array of interagency/multinational cooperative efforts such as a UNDCP-sponsored interdiction program for Hungary, co-conducting the UNDCP-funded Martinique Caribbean Regional Train-the-Trainer Workshop with the Canadian Customs and Excise Agency, and providing the instructional resources for the interdiction phase of the three DEA schools.

In Calendar Year 1991, U.S. Customs transferred $286,000 in seized and forfeited property to the Department of State for use in anti-narcotics activities as follows:

Quantity	Commodity	Recipient	$ Value
9	Motor Vehicles	Colombia	72,125
11	Motor Boats	The Bahamas	134,825
3	Boats	France (Martinique)	80,000

Bilateral Agreements: In 1991, U.S. Customs concluded bilateral Customs Mutual Assistance Agreements with the Governments of Belgium, Czechoslovakia, Denmark, Greece, and Hungary. These agreements greatly assist in the gathering of evidence for all violations of U.S. law enforced by Customs, including financial crimes.

SOUTH AMERICA

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ARGENTINA

I. Summary

Argentina is primarily a transit country for Andean narcotics sent to Europe and the United States. Cultivation and production of narcotics, however, is small compared with Argentina's Andean neighbors. As an indication of the increased regional awareness of the need to combat illicit drugs, the Argentine Government is taking important steps to combat the drug problem on its own and in cooperation with neighboring countries and the United States. These steps include controls over the transit of illicit drugs and the diversion of essential chemicals, stronger law enforcement, and closer attention to demand reduction.

Argentina, a major producer of essential and precursor chemicals, passed a decree controlling production and sale in 1991. Consumption of narcotics is on the rise but cultivation remains small. There has been a noticeable improvement in enforcement efforts. Over the past year, government and public awareness of the threat posed by narcotics trafficking, money laundering, and other attendant ills has increased.

II. Status of Country

Argentina is one of the largest South American producers of precursor and essential chemicals. Joint Argentine-U.S. Drug Enforcement Administration (DEA) investigations have identified manufacturers and distributors diverting chemicals to Bolivia for cocaine production. The chemicals were purchased legally in Argentina and then transported to Bolivia. Although the documentation is legal, the companies listed as recipients are sometimes bogus.

In a recent case in Salta, for example, Argentine police stopped a truck carrying 33 mt of methyl acetone and asked for the vehicle's export documents. The police checked with Bolivian authorities to verify the existence and addresses of the two recipient companies. After releasing the vehicle, Argentine police subsequently determined that one company did not exist and the other was a shoe factory. It is unknown how much precursor and essential chemicals have been exported in this manner. The Government of Argentina (GOA) is taking steps, however, to tighten controls.

Money laundering is also a concern. It is impossible to determine how much money is involved because of inadequate record keeping. However, several USG (DEA/FBI) and Spanish investigations have uncovered money laundering on a potentially large scale. In response, visits by U.S. specialists in 1991 to assist in import control methods increased official and public awareness, and the GOA and private banks are taking steps to address the problem. The Association of Private Argentine Banks (ADEPA), for example, has issued non-binding recommendations to its members to prevent drug money laundering.

Both Argentine authorities and the DEA believe that increases in narcotics consumption and seizures suggest that trafficking is on the rise. According to GOA estimates, domestic consumption has increased some 30 percent since 1989 while drug seizures quadrupled from 1989 to 1990. The GOA estimates that more than 70,000 Argentines are addicted to some illicit drug and many others to legal pharmaceuticals.

III. Country Actions Against Drugs in 1991

Policy Initiatives and Accomplishments. Faced with increased trafficking and money laundering, the GOA has responded with a broad range of efforts. These include:

- Presidential approval of a law controlling the manufacture and distribution of precursor and essential chemicals. The law is based on Inter-American Drug Abuse Control Commission (CICAD) model legislation developed in conjunction with U.S. and international efforts to improve the control of essential chemicals.

- Presidential approval of a national narcotics strategy.

- Ratification of the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

- Establishment of a Joint Information Coordination Center (JICC) network, with equipment provided by the State Department's Bureau of International Narcotics Matters (INM). The JICC, when operational, will improve information sharing among GOA anti-drug authorities and record keeping. Argentina is seeking to expand the JICC to include information sharing with its Southern Cone neighbors.

- Establishment of an independent operating budget for the GOA's Drug Secretariat totaling $13 million, excluding salaries. Previously, the Secretariat's budget came under the Secretary General of the Presidency.

- Initiation of regular trilateral meetings with counterpart officials in Bolivia and Paraguay to increase cooperative efforts in the region.

- Formation of a Southern Cone permanent conference (Bolivia, Paraguay, Uruguay, Brazil and Chile) against narcotics trafficking to improve cooperation and information sharing. The GOA is sharing with interested neighbors its experience in setting up the Drug Secretariat.

- Strengthening of laws on asset seizures to permit revenue and asset sharing with law enforcement authorities. The distribution of seized assets is handled by the Drug Secretariat. The USG has provided assistance to this effort.

- Improvement of training programs for Argentine law enforcement authorities and educators. The Secretariat intends to hold special training programs in all 23 provinces in 1992. The GOA has also established special prevention and enforcement training programs for interested Latin American countries.

- Creation of a special executive branch commission to study additional measures to control money laundering.

- Creation of a 100-man anti-narcotics force loosely modeled on DEA, known as SEFECONAR. The agency remains unstaffed, pending the resolution of a debate over whether the agency should be under the jurisdiction of the Drug Secretariat or the Ministry of Justice.

- Determination that the armed forces can provide logistical support for police and paramilitary forces involved in anti-narcotics operations.

- Establishment of a commission to investigate the Bank of Credit and Commerce Incorporated (BCCI) connections in Argentina. The GOA earlier had closed the BCCI office.

- Encouragement of key governors to establish provincial drug czar offices.

- Establishment of a telephone hotline for anonymous narcotics tips.

- Congressional consideration of a law that would legally permit the use of undercover agents and informants participating in investigations. The measure also allows plea bargaining for defendants who wish to cooperate.

- Creation by the Congress of a narcotics commission in both chambers.

Law Enforcement Efforts. Law enforcement agencies have improved their efforts and effectiveness over the past year, investigating high-ranking members of the Bolivian and Colombian narcotics trafficking organizations, and identifying direct lines between Argentina and Italian mafia members, Chinese organized-crime members, and members from the "French Connection" cases. The overall quality of the investigations has improved. This is due to several factors, including greater awareness of the problem, high-level interest in a more aggressive effort, and training provided by DEA under INM auspices. Interagency cooperation among Argentine forces has continued to increase, as shown by the joint Gendarmeria/Policia de Provincia de Buenos Aires investigation into the activities of top Bolivian traffickers Humberto Nicanor Gil Suarez and Jose Bismark Arredondo Alvarez.

In 1991, two INM-funded international training schools and DEA in-country schools were presented to representatives of Argentine law enforcement agencies in five key provinces and surrounding areas, including, on one occasion, representatives from neighboring Uruguay and Paraguay. This training was designed to improve investigative and intelligence capabilities, as well as to promote cooperation among the different agencies.

The GOA also plans to improve its radar capability in the northwest to combat the entry of narcotics traffic from Bolivia and Paraguay. A study conducted by Paraguayan sources indicated that numerous unidentified night flights occur over the borders with Bolivia, Paraguay, Brazil and Argentina.

Corruption. The extent of drug corruption in Argentina is difficult to gauge, although the traffickers' superior assets would allow them to corrupt public servants and law enforcement officials. This is a concern of the Drug Secretariat and other anti-narcotics agencies. The armed forces, for their part, are concerned that as they become more involved in the anti-narcotics effort, the traffickers will attempt to corrupt the services.

President Menem has taken a strong public stance against corruption, pledging to root it out and to reduce the opportunities for its being committed. One of the most notable cases to date of possible drug-related corruption is the so-called "Yomagate" affair in which the President's in-laws are under investigation in Argentina and Spain for alleged drug-money laundering. Among those being investigated are the President's sister-in-law (his former appointments secretary) and her ex-husband (a former head of customs at Ezeiza Airport) as well as other officials, such as a former water works director. The Argentine judge who was in charge of the investigation is herself the subject of a congressional investigation into alleged improprieties in conducting the case.

Agreements and Treaties. The Mutual Legal Assistance Treaty (MLAT) signed with the United States last year has been ratified by the Argentine Congress and awaits approval by the U.S. Senate. In FY 1991, the USG provided $412,000 in bilateral assistance in addition to $209,000 for enhancing Argentina's JICC. In 1991, the GOA signed a cooperative agreement with the UK.

Argentina sees itself as a leader in the Southern Cone on drug issues and is working to improve cooperation with surrounding countries. Argentina initiated the trilateral and Southern Cone groups, has been advising neighboring countries interested in forming drug secretariats of their own, and will be providing enforcement and prevention training to other Latin American countries.

Cultivation and Production. Because chewing coca leaves is legal and an accepted custom in northwest Argentina, police tend to overlook small areas of cultivation and the importation of leaves, even though it is illegal to import leaves. There is no known major cultivation of coca or opium poppy. In late 1990, the GOA and the DEA conducted a joint aerial surveillance of selected areas in northern Argentina to determine the extent of illegal cultivation. Cocaine production occurs in small "kitchen" laboratories. Police seized three small labs this year.

Domestic Programs. Demand reduction is a major element of the GOA's anti-narcotics strategy. Under the direction of Argentina's Drug Czar, the GOA has established drug prevention programs in Argentine schools. Each year the GOA sponsors a drug awareness campaign at summer resort areas such as Mar del Plata. Argentina's growing interest in learning about prevention programs in the U.S. and other countries has led to frequent requests for visits by U.S. drug experts. USIS media presentations, expert visitors, and study trips to the U.S. have played an important role in increasing public awareness about the drug problem. International organizations, such as the OAS, the UN Drug Control Program and the Inter-American Development Bank (IDB), have provided funds to the GOA and private organizations for prevention and rehabilitation. The Drug Secretariat, through INM, is negotiating an agreement with the Daytop Village therapeutic community of New York to establish a regional training center for Latin America.

Argentina has many private organizations that work in the area of drug abuse, primarily in Buenos Aires, but resources are scarce and more needs to be done at the provincial level. Public and private sector coordination needs improvement, although there are signs of increased cooperation among some private sector groups and between them and the GOA. A number of organizations, such as CENARESO (official national center for drug rehabilitation) and Padres a Padres (an Argentine equivalent of PRIDE), whose members lecture at schools and to parents groups, carry out important education programs.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. goals emphasize working with the GOA and private organizations to increase awareness of the threat posed by drug trafficking; raising the preparedness of the GOA to respond to this threat; and assisting it in improving conditions and cooperation for more effective control of illicit narcotics.

Bilateral Cooperation. In support of these goals, INM provides equipment, training, and technical assistance. In addition, DEA conducts joint investigations with Argentine authorities. Bilateral efforts in 1991 resulted in the dismemberment of the Gil Suarez drug network and seizure of $5 million in trafficker assets. Joint investigations have seized a total of 571 kg of cocaine.

The Road Ahead. In the future, the USG will encourage greater interagency cooperation through multi-agency training programs. U.S. resources will complement GOA efforts.

Statistical Tables

TABLES for CY		1992 est.	1991*	1990	1989	1988
Refining /a						
Cocaine HCL	*[mt]*		*15.0*	*10.0*	*10.0*	*5.1*
Seizures /b						
Coca leaf	[mt]		28.1	24.4	12.5	37.0
Cocaine HCL/Base	[mt]		0.9	0.9	0.4	1.2
Marijuana	[mt]		0.4	6.7	1.3	3.2
Ether	Liters		817	2,188	1,097	
Acetone	Liters		660	2,633	963	
Hydrochloric Acid	Liters		9,800	457	22	
Sulfuric Acid	Liters		-	186	10	
Ammonium	Liters		-	169	356	
Arrests /b			2,643	4,377	9,100	7,463
Labs Destroyed			17	4	7	10

*First six months of 1991 only.

(a) Refining figures are DEA estimates based on production capacity of reported laboratories.

(b) Seizure and arrest statistics are provided by Argentina's Federal Police Data Center. All of the above figures are thought to be low because of Government of Argentina reporting methods, i.e. not all seizures and arrests entering the judicial system are prosecuted and there is a backlog of cases. Rivalries may also cause some enforcement officials to withhold statistical information from other agencies.

1/31/92

BOLIVIA

I. Summary

Bolivia is a leading producer of coca leaf and cocaine. The Government of Bolivia (GOB) made progress in narcotics law enforcement, building critical narcotics control institutional capabilities and publicly supporting counternarcotics efforts during 1991. Bolivia carried out a number of important enforcement operations against major drug traffickers and their installations. While the GOB did not meet the coca eradication targets agreed to with the USG, eradication efforts did result in a net reduction in coca cultivation for the second consecutive year.

The USG, in cooperation with the GOB, will continue to focus its efforts on developing the Bolivian infrastructure and capabilities to sustain effective actions against the illicit drug industry.

II. Status of Country

Bolivia is the world's second largest producer of coca after Peru and the second largest producer of refined cocaine after Colombia. Bolivia is not a significant producer of heroin or marijuana, nor is it a money laundering center. Most coca used for illicit purposes originates in the Chapare, where coca leaf is grown and processed into coca paste or base. Further processing into cocaine hydrochloride (HCl) typically occurs in temporary laboratories located throughout the remote, thinly populated areas of northern and eastern Bolivia. An estimated 25-30 trafficking organizations are active; the larger ones are also involved in cocaine base and HCl production.

Once dependent on distribution through Colombian channels to U.S. markets, major Bolivian traffickers are increasingly involved in distributing cocaine to European markets via Brazil or Argentina, and to the United States via Mexico. Bolivia has not faced significant drug-related violence, although this may be changing with increased non-Bolivian, particularly Colombian, presence. Traffickers are now better armed and may be more willing to use force to resist law enforcement efforts.

During late 1990 and 1991, Bolivian counternarcotics units scored major successes against large-scale trafficking operations, forcing traffickers to adjust their operations to elude law enforcement. Traffickers responded by reorganizing and reestablishing illicit coca markets, coca leaf processing, and cocaine production sites. Consequently, illicit coca marketing activities increased in 1991, as did coca leaf prices. The higher prices discouraged participation in the GOB's voluntary coca eradication program. This contributed to lower annual voluntary eradication statistics, despite a slightly more active compulsory reduction program in 1991. Nevertheless, Bolivia reached 78 percent of the 1991 eradication target.

The GOB has improved its record in combatting official corruption by replacing known and suspected corrupt officials at the ministerial level and within the police. The GOB still tends, however, to consider the political ramifications of counternarcotics operational decisions, and its political will regarding coca eradication is questionable.

III. Country Action Against Drugs During 1991

Policy Initiatives. The GOB's anti-narcotics program focuses on reducing illegal coca cultivation, cocaine production, and trafficking activities in Bolivia. In order to achieve these goals, the GOB is intensifying efforts to increase effective law enforcement, reduce corruption, improve the judicial system, increase public awareness of the damage of drugs, and offer viable economic alternatives in coca-growing areas. Effective law enforcement disrupts the ability of trafficking organizations to buy, process, and export coca paste, cocaine base and HCl. This disruption helps reduce coca-buying activities, thereby lowering coca prices. Lower prices, in turn, encourage farmers to participate in voluntary eradication and alternative development programs.

Political will is fundamental to any successful counternarcotics program in Bolivia. Political will in Bolivia, however, remains uneven and hampers GOB efforts to enlist popular support for drug control programs and activities. Although public attitudes improved slightly in 1991, there is still not sufficient public concern to encourage Bolivian policy makers to implement aggressively narcotics control policies.

The 1988 Coca and Controlled Substances Law (Law 1008) established coca eradication targets of 5,000 to 8,000 ha per year through 1993. The goal for 1992 is 7,000 ha. As in 1991, disbursement of U.S. Economic Support Fund (ESF) balance of payments assistance in 1992 will be conditioned on meeting the coca eradication and law enforcement objectives. Linking U.S. economic assistance to concrete results contributes to the success in the coca eradication program.

The USG will support GOB drug enforcement efforts during 1992 and will expand its assistance considerably in such areas as riverine interdiction, urban narcotics law enforcement, precursor chemical control, and the regulation of marketing and transporting legal coca leaf.

To assist the GOB implement a rigorous program to control the transport and use of cocaine precursor chemicals, the USG will support the National Directorate for Precursor and Chemical Control. This support will include reinforcement of precursor interdiction mechanisms and establishment of special investigative teams to curb the diversion of chemicals for illicit purposes.

Accomplishments. GOB law enforcement agencies continued to pursue and disrupt major trafficking organizations in 1991. These efforts succeeded in driving out of business 25 of the 30 coca-leaf buying organizations in the Chapare. The GOB conducted major operations in the Beni and Santa Cruz departments. Seizures of coca leaf, coca base, cocaine HCl, and the destruction of HCl laboratories increased over 1990.

The most noteworthy narcotics law enforcement activities were the U.S.-supported "Safehaven" and "Definite Notice" operations, which demonstrated enhanced operational capabilities by the GOB. "Safehaven" was a lengthy (March-June) and highly successful campaign. A joint counternarcotics force of approximately 640 law enforcement and military personnel reestablished GOB control of the trafficker-dominated town of Santa Ana de Yacuma. UMOPAR established a permanent detachment in the town, thereby denying an important sanctuary to narcotics traffickers.

Operation "Definite Notice", the first operation involving the Bolivian Army counternarcotics units trained and equipped by the United States, reduced public concern about the role, mission, and operating location of Bolivian Army counternarcotics units. The joint operation against cocaine processing laboratories in the sparsely populated border areas of Santa Cruz Department demonstrated the Army's ability to coordinate effectively with the UMOPAR and signaled GOB resolve to press ahead with this domestically controversial issue. Results of these law enforcement operations included arrest of traffickers; destruction of cocaine processing laboratories; seizure of trafficker properties, aircraft, and narcotics; and temporary depression in coca prices.

The GOB issued a decree to encourage key traffickers to give up their activities. It offered traffickers who surrendered before November amnesty from extradition to the United States and possible reduced sentences if they agreed to certain terms, including cooperation with law enforcement authorities. Eight major traffickers surrendered under the decree: Erwin Guzman Gutierrez, Antonio Naciff, Winston Rodriguez Daza, Hugo Rivero Villavicencio, Oscar Roca Suarez, Alcides Guardia Iriarte, Jorge Flores Moises, and Carmelo Rodriguez Roma. Seven of them are still awaiting prosecution.

The GOB eradicated 5,486 ha of coca, but fell short of the 7,000-hectare reduction goal which it accepted in the 1991 ESF agreement with the USG. Sustained higher coca prices much of the year, underwritten by the traffickers, reduced grower interest in the voluntary eradication program which had enjoyed unprecedented success in 1990. In addition, the GOB coca reduction agency (DIRECO) was ineffective, forcing a leadership change in October. Given the impact of high prices on the level of participation in the voluntary eradication program and continued GOB concern about possible political backlash and further violent opposition by farmers to an involuntary program, eradication declined during 1991.

To create a climate to support eradication, U.S. development assistance to coca production areas continued during 1991. Crop diversification, marketing assistance, and infrastructure development began to produce significant results in the Chapare region. In addition, USAID approved a five-year, $120 million project in the Cochabamba Department. This will broaden the area of concentration for development of economic alternatives needed to induce farmers to voluntarily eradicate coca and will bolster GOB resolve on the politically sensitive eradication issue. USAID also is finishing up alternative development demonstrations projects in the high valleys region of Cochabamba Department.

The projects showed that it is possible to create viable economic alternatives for marginal farmers in the high valleys. This provides an incentive to seek local licit employment opportunities, rather than migrating to the Chapare coca growing and processing area in search of income. Other U.S. development assistance projects in Bolivia help to strengthen the national economy, promote trade and investment opportunities throughout the country, and focus on improving the health and welfare of vulnerable groups in Bolivia's population so that they can fully participate in the economy.

Law Enforcement Efforts. The 1988 Coca and Controlled Substances Law (Law 1008) provides a legal regime to prohibit the production and trafficking of cocaine. It also prohibits cultivation of coca planted since 1989 in most areas of the country. The GOB, however, has yet to systematically enforce all aspects of the law. While the GOB has taken steps to address illegal coca cultivation and trafficking, complete implementation of Law 1008 would signal its full commitment to the drug fight. With regard to the requirements of Section 2013 of P.L. 99-570, the GOB does not encourage or facilitate the production or distribution of illicit narcotic or psychotropic drugs or other controlled substances.

Corruption. Corruption remains an impediment to drug law enforcement and prosecution efforts, but the GOB is seeking to curb it by improving the screening process for personnel selected for high-level narcotics positions and by removing officials who have been linked to narcotics corruption. The GOB dismissed five senior-level officials in 1991: Interior Minister Guillermo Capobianco, Police Chief Felipe Carvajal, National Director of the Precursor Control Agency Javier Dipps, Special Narcotics Force (SFFANT) Commander Faustino Rico Toro, and General Elias Gutierrez, Rico Toro's replacement as SFFANT Commander, for ineptitude and suspicion of being involved in narcotics-related corruption. But despite these steps, one corrupt official often replaces another. Law 1008 does provide an adequate basis for prosecution of narcotics-related corruption charges against public officials.

Agreements and Treaties. The GOB has yet to sign the 1990 Extradition Treaty negotiated with the U.S. The 1900 Treaty, now in force, does not specify narcotics trafficking as an extraditable offense. However, traffickers could be extradited under the 1900 Treaty as supplemented by the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which the GOB has signed and ratified. The GOB has stated publicly that it intends to

extradite traffickers pursuant to these two treaties. There are two important narcotics cases pending before the Supreme Court which are pursuant to the 1900 Treaty and 1988 UN Convention. However, the USG continues to believe that the 1990 treaty should be concluded.

Bolivia signed the 1961 Single Convention on Narcotic Drugs. The GOB participated in the 1990 Cartagena Summit and has attempted to implement the Summit agreements. Bolivia attended several Latin American and subregional conferences on narcotics control and hosted the 1991 Heads of National Law Enforcement Agencies (HONLEA) Conference.

Cultivation and Production. Bolivia has long been a major producer of coca leaf and an exporter of coca paste and base for further processing into cocaine HCl in Colombia and Brazil. In addition, cocaine HCl processing has increased in Bolivia, in part because of drug control successes in Colombia in the past two years. Most of the coca leaf supporting the illicit drug industry is grown in the Chapare region of Cochabamba Department, but illicit use of coca leaf from the traditional cultivation area of the Yungas may also be growing.

Coca prices in 1991 increased markedly over 1990 prices, which were the lowest since the coca boom began in the early 1980s. The higher prices discouraged voluntary eradication and associated alternative development programs. The GOB's persistent reliance on the voluntary program to meet coca eradication targets continues to leave it extremely vulnerable to coca price fluctuations. The GOB's failure to enforce fully the existing law against cultivating new coca, combined with higher illicit market prices for dry coca leaf, encourages new cultivation activities and perpetuates coca production. The trend in overall cultivation, however, is still declining. For 1992, the target eradication of 7,000 ha represents the maximum achievable reduction given the current political and economic situation.

Unfortunately, field studies indicate that the potential yield of the coca crop may be higher than previously estimated. This could alter coca yield figures currently used to estimate the potential production of coca and cocaine.

Domestic Programs. The GOB does not have a reliable estimate of the level of drug abuse in the country. A 1991 Pan American Health Organization epidemiological survey does not provide an accurate estimate of domestic drug abuse, since it focuses on a small segment of Bolivia's student population. The USG is planning a broader survey which should be completed during the first quarter of 1992. Demand reduction efforts remain concentrated in the following U.S.-supported organizations: the Educational Campaign Against Drugs (CESE), the National Council on Drug Abuse Prevention and Education (CONAPRE), and SEAMOS, a private sector organization. Informal estimates by these and other organizations suggest that drug abuse is a growing problem among Bolivian youth.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. Pursuant to the Administration's Andean strategy to assist the principal cocaine producing countries in their fight against drug trafficking, the USG seeks to develop, in close cooperation with the GOB, the infrastructure and capabilities to sustain counternarcotics operations in a difficult environment. The USG assists the GOB in developing institutions which can implement effective narcotics law enforcement against trafficking organizations; reduce coca production to a level needed for licit domestic use, and provide economic alternatives for those dependent directly on coca cultivation.

Bilateral Cooperation. The 1987 counternarcotics agreement with the U.S., updated annually, satisfies the conditions of the Chiles Amendment. The August revision of the agreement included GOB commitments to reduce cocaine production and consumption through alternative development programs, public awareness, law enforcement and coca eradication.

In many respects, GOB cooperation with U.S. drug control policy improved during 1991. The GOB continued large-scale drug enforcement operations against major trafficking organizations. With U.S. assistance, the GOB took steps toward building institutional capabilities required for effective narcotics control. These included establishing precursor chemical and coca leaf regulatory agencies and training two Bolivian Army counternarcotics battalions.

But GOB counternarcotics policy implementation often faltered because of weak infrastructure, disorganization, corruption and uncertain political will. Vigorous implementation of policies is the greatest challenge for the future. Preparations for national elections in 1993 will have a major effect on the GOB commitment. While continued progress on narcotics enforcement appears likely in 1992, more vigorous coca reduction and judicial prosecution efforts are less certain.

Statistical Tables

Tables for CY		*1992 est.*	1991	1990	1989	1988
COCA						
Harvestable Cultivation	[ha]	-	47,900	50,300	52,900	48,925
Eradication	[ha]		5,486	8,100	2,500	1,475
Cultivation	[ha]		53,386	58,400	55,400	50,400
Leaf						
Harvestable	[mt]		78,400	76,773	74,722	77,245
Licit Consumption [est]	[mt]		10,000	10,000	10,000	10,000
Leaf Seized	[mt]			62	42	17
Available for Conversion*	[mt]		68,400	66,711	64,680	67,228
Seizures**						
Coca leaf	[mt]		123.36	62.00	42.00	17.00
Coca paste	[mt]		0.94	11.23	9.95	8.16
Coca Base	[mt]		3.12	2.30	10.90	1.34
Cocaine HCL	[mt]		0.32	0.16	1.04	0.21
Cocaine HCl/Base Total	[mt]		3.44	2.46	11.94	1.55
Acetone	[bbls]		64.78	178.48	39.00	290.00
Ether	[bbls]		54.34	105.62	24.00	105.00
Sulphuric Acid	[bbls]		299.02	255.91	527.00	150.00
Aircraft			48	21	15	11
Vehicles			41	28	40	17
Generators			19	31	9	13
Arrests**			1,003	775	599	509
Labs Destroyed**						
Cocaine HCl			34	33	40	45
Base***			86	-	-	-
Paste			1,375	1,446	6,957	3,542
Domestic consumption						
Coca leaf [licit]	[mt]		10,000	10,000	10,000	10,000

[a] Hectarage data for previous years has been adjusted to reflect more accurately.Calendar Year rather than Fiscal Year data. Some adjustments in hectarage were also necessary to correct previous errors in displaying gross rather than net cultivation.

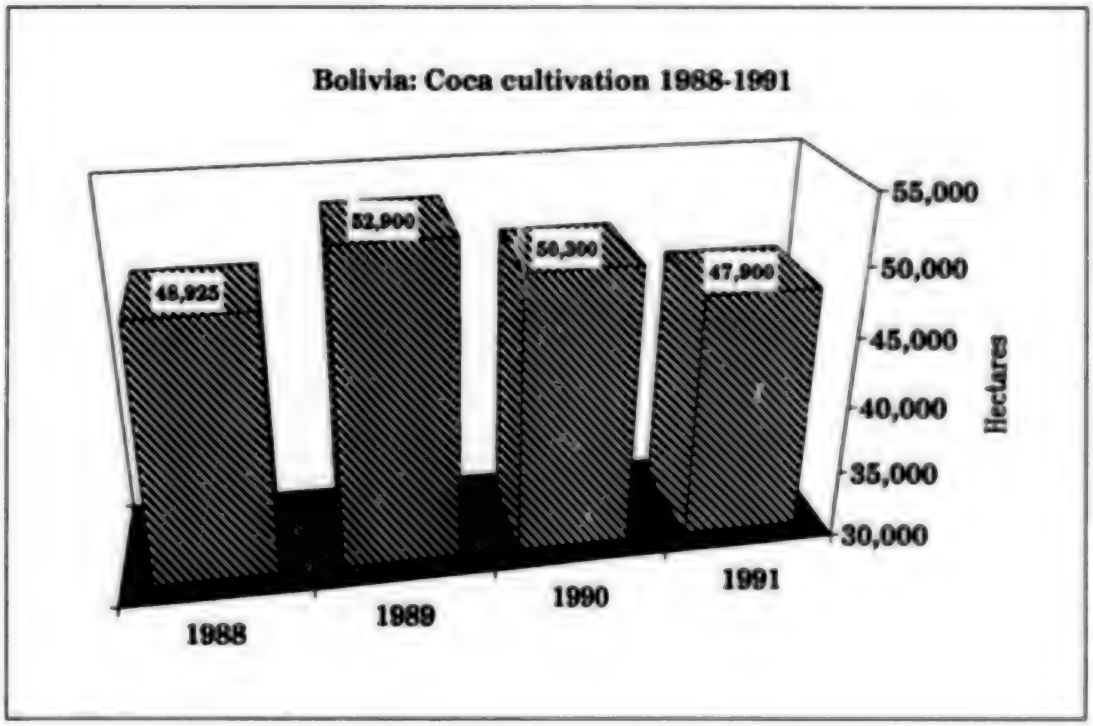
* The reported leaf-to-HCl conversion ratios range between 195-330 kilograms of leaf to one kilo of coca paste.

** Data provided from Bolivian Police and DEA La Paz.

*** Statistics for base labs not available prior to 1991.

Note: One Barrel [bbl] equals 208.2 liters..

Statistical Tables



BRAZIL

I. Summary

Brazil is a significant transshipment country for Bolivian, Peruvian and Colombian cocaine destined for the U.S. and Europe. It is also an important producer of ether and acetone, which can be diverted from legitimate commerce for the production of cocaine HCl, as well as a transit route for chemicals from the U.S. and Europe illegally diverted to Bolivia and, to a lesser extent, Colombia. Although there is only limited information on the movement of narcotics money between Brazil and the U.S., the USG believes that the potential for money laundering warrants increased concern. A comprehensive narcotics bill has been introduced in the Brazilian Congress that, if passed, would greatly enhance law enforcement efforts. Brazil ratified the 1988 UN Convention Against Traffic in Illicit Narcotics and Psychotropic Substances.

Brazil is geographically attractive to narcotics trafficking. Its borders with the three major Andean producing and processing countries, its extensive river system, and its vastness make it an ideal conduit for the movement of narcotics in one direction and illegally diverted chemicals in the other. Because of economic restraints and competing national priorities, the GOB has devoted only limited resources to narcotics control and this has hindered law enforcement programs. Nevertheless, law enforcement results improved during the year. Record cocaine seizures, presidential statements, the work of a special Congressional Committee on Narcotics (CPI), as well as publicity about the alleged involvement of certain Brazilian political figures in narcotics trafficking, heightened public attention to narcotics.

II. Status of Country

With the increase in suppression and interdiction efforts against cocaine producers and traffickers in the Andean countries, cocaine traffickers have sought new shipment and production areas. Colombian and, more recently, Bolivian traffickers are making greater use of Brazilian territory, and reportedly have established cocaine laboratories in Brazil.

Brazil has the potential to expand coca cultivation in certain areas of the Amazon region; however, thus far production has been limited and its coca leaf has been of low quality. No comprehensive coca survey was done in 1991, but ground reconnaissance by the Brazilian Federal Police (DPF) identified some cultivation in the State of Acre, which borders Peru and Bolivia. Brazil is a major producer of marijuana; most of it is consumed domestically and none has been reported reaching the U.S.

While money laundering has not been a major concern in the past, recent investigations by Brazilian authorities suggest that Brazilian financial institutions increasingly are being used as a link between Colombian cocaine suppliers and major European and U.S. cocaine distributors.

III. Country Action Against Drugs in 1991

Policy Initiatives. Although the Government of Brazil (GOB) has yet to implement a full counternarcotics strategy, several significant narcotics-related initiatives occurred in 1991.

The GOB revised an earlier draft of narcotics legislation and introduced it in the Congress in September. The proposed comprehensive legislation improves the current federal law. It includes stiff provisions regarding sentencing, cooperation with the police, money laundering, land seizures, precursor chemicals, controlled deliveries, undercover operations, financial and tax disclosures, conspiracy, and international judicial cooperation. This legislation was adapted to the 1988 federal constitution, recent court precedents, and the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The GOB believes that prospects for passage in 1992 are good. The Congress is also reviewing separate legislation on organized crime that includes provisions on procedures for searches of homes and wire taps.

In April, the Chamber of Deputies created the CPI to examine Brazil's drug problem. The CPI's investigations throughout the country were well publicized and focused national attention on Brazil's drug problems. The CPI's mandate ended in November, with the issuance of a report calling for, inter alia, a national drug policy, increased law enforcement resources, and passage of the comprehensive drug legislation. The Committee also listed public officials and criminals it recommended be investigated or prosecuted for involvement in narcotics trafficking.

The GOB announced that it planned to hire approximately 2,000 new federal police; however, funding has not yet been provided. A significant number of the new police probably will be assigned to the DPF narcotics unit, which currently has about 600 agents.

Accomplishments. The GOB ratified the 1988 UN Convention in June. The new narcotics legislation introduced in September would strengthen Brazil's ability to meet the requirements of the Convention. The 1986 Mutual Cooperation Agreement on Narcotics signed with the USG, was ratified in January 1991 and went into effect in June. The GOB and the USG held high-level bilateral consultations in August.

Law Enforcement Efforts. Though still understaffed and underfunded, the DPF, which received the bulk of USG counternarcotics funds in 1991 ($1.8 million), has been conducting major investigations against international drug traffickers with increasing success. The DPF had record seizures totalling over 3.7 mt of cocaine HCl in 1991, surpassing the figure of any previous year. It also conducted a joint program with the U.S. Drug Enforcement Administration (DEA) to detect, monitor, and seize major diversions of precursor chemicals from both Brazilian manufacturers and foreign sources and to locate and seize clandestine cocaine laboratories. An ongoing monitoring project detects activity in the State of Amazonas by Colombian, Peruvian, or Bolivian traffickers and allows the DPF to monitor coca cultivation, processing, and transshipment areas in the state.

Brazil's current narcotics laws are inadequate to meet the challenge posed by narcotics trafficking, but this should be remedied by the strong new legislation currently before Congress.

Corruption. The GOB does not condone or knowingly permit illicit production or distribution of drugs or the laundering of drug money. There have been allegations of corruption of public officials, but none has yet been charged or convicted. In late 1991, the CPI did refer a list of public officials, including judges, mayors, an expelled congressman and police officials, to public prosecutors for investigations of possible links to narcotics trafficking.

In November, the Brazilian Chamber of Deputies expelled a congressman from the State of Rondonia for violating parliamentary ethics. The congressman's brother had been arrested in July with 554 kg of cocaine HCl and had in his possession a congressional staff identification card bearing his brother's signature. The congressman, who has been accused by another legislator from the same state of being involved in narcotics trafficking, was stripped of parliamentary immunity in August to face charges of involvement with a stolen car ring.

Agreements and Treaties. The GOB has ratified the 1988 UN Convention on Narcotics and the 1986 Mutual Cooperation Agreement on Narcotics signed with the USG. It also has several regional agreements with its neighbors. Most recently, it strengthened counternarcotics cooperation with Colombia with an agreement to share confidential information to facilitate police and judicial investigations of narcotics trafficking. The 1961 USG-GOB Extradition Treaty, amended by a 1962 protocol, remains in effect.

Cultivation and Production. The cultivation of coca in Brazil is not significant and the product is not of high quality. It is not yet a major problem but does merit monitoring. Regular ground reconnaissance and follow-up eradication missions should keep coca cultivation under control. Marijuana production, on the other hand, is a major domestic problem although there are no reliable estimates of the amount of cannabis cultivated.

No major coca eradication efforts were conducted by Brazilian authorities in 1991. However, based on recent information that new cultivation has been identified in the Amazon region, the USG estimates that maximum achievable crop reduction of coca leaf is 3 mt in 1992, the same as had been estimated for 1991. Brazil did eradicate 1,529 mt of cannabis in 1991, surpassing the 1,000 mt estimated. The USG estimates a maximum achievable cannabis crop reduction of 1,500 mt in 1992.

Domestic Programs. The Federal Drug Council (CONFEN) is responsible for demand reduction programs. Lack of GOB funding hinders a concerted national program. CONFEN relies heavily on foreign assistance to conduct seminars and training in demand reduction. CONFEN has enjoyed some success in persuading local governments and organizations to assist in funding programs in their

areas. Most demand reduction efforts stem from activities of local civic organizations and some state councils. The CPI's report criticized CONFEN for its failure to use $5 million donated by the United Nations Drug Control Program (UNDCP).

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. Because of its role as a major transit country for cocaine and a major producer of precursor chemicals, Brazil comes under the USG's Potential Source and Transit Countries Strategy. USG policy initiatives include diplomatic measures and assistance programs to encourage increased GOB involvement in counternarcotics efforts. In FY91, the USG provided $2.5 million for counternarcotics assistance to Brazil.

The USG concentrates its assistance on the DPF to promote the investigation and elimination of international illicit narcotics organizations, the reduction in the flow of narcotics transiting Brazil, and the disruption of illegal precursor chemicals traffic and money laundering. The USG also provides assistance in support of coca leaf and cannabis eradication, information gathering, and demand reduction and for training for both the DPF and Customs. Moreover, through USAID, the USG provides assistance to the GOB for narcotics awareness, education and prevention.

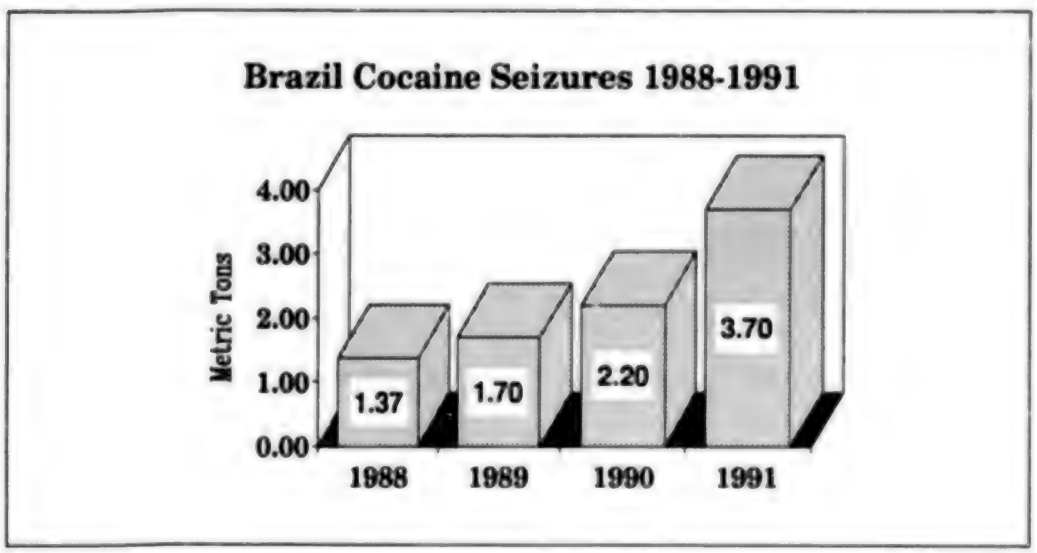
Bilateral Cooperation. Counternarcotics cooperation between the USG and the GOB is good. In addition to successes in the area of law enforcement, there have been other noteworthy developments. The high-level bilateral meeting was held in Brasilia in August as a result of the 1986 Mutual Cooperation Agreement on Narcotics that came into force in June. The proposed narcotics legislation now before congress was reviewed and revised by Brazilian jurists and law enforcement officers at a judicial seminar sponsored by the State Department's Bureau of International Narcotics Matters (INM). The GOB extradited ten persons to the U.S. in 1991; most of the cases were drug-related.

The Road Ahead. Through diplomatic initiatives and bilateral programs, the USG will assist the GOB to confront the growing narcotics threat it faces with the expectation that combatting narcotics will take on greater importance in Brazil's national agenda. Bilateral assistance will continue to focus primarily on funding DPF initiatives, especially its joint efforts with DEA. INM, in cooperation with the OAS, EC and UNDCP, will pursue efforts to provide drug prevention services to Brazil's "street kids."

Statistical Tables

TABLES for CY		*1992* est.*	1991	1990	1989	1988
COCA						
**Harvestable Cultivation	[ha]	-	-	-	-	-
Eradication	[mt]	*3*	0	14	330	798
Cocaine Seizures	[mt]	*4*	3.70	2.20	1.70	1.37
Other coca	[mt]	*0.35*	0.34	0.48	0.18	0.09
CANNABIS						
**Harvestable Cultivation	[ha]	-	-	-	-	-
Eradication	[mt]	*1500*	1,643	3,584	2,400	5,240
Seized in-country	[mt]	*9*	9.5	9.9	20	19.5
Seizures						
Coca products	[mt]	*4.35*	4.04	2.68	1.88	1.46
Cannabis	[mt]	*9*	9.5	9.9	20	19.5
Arrests		*2,500*	2,759	2,841	2,806	2,052
Labs Destroyed						
Cocaine HCL		*3*	3	4	4	2

*Information represents official Government of Brazil figures. reported by DEA Brasilia and the United States Embassy/Brasilia. Data through December1991.
** No surveys have been conducted.



1/31/92

COLOMBIA

I. Summary

The Government of Colombia (GOC) is strongly committed to fighting the major threat to Colombian democracy, drug trafficking. Colombian security forces had their best year, with close to 90 mt in cocaine seizures, 239 cocaine-processing labs destroyed and over 1,100 drug-related arrests. The GOC, with USG assistance, is radically changing its criminal judicial system in order to create institutions to attack the trafficking infrastructure. In 1991, it appointed young, dynamic leaders to most key positions, appointments which should pay long-term dividends throughout the Gaviria Administration. Extradition of Colombian nationals, formerly an important tool in the war on drugs, is now unconstitutional, but the GOC is moving to prosecute major violators.

Cooperation on interdiction with the USG and other countries and organizations has never been better. The GOC signed chemical control and evidence sharing agreements with the USG. Although the appearance of opium poppy cultivation is of concern, the GOC intends to attack the crop through manual and aerial herbicidal eradication programs. Due to the GOC's recognition of the need to expand economic opportunities to attract the labor force away from illicit crops, the coca crop declined by nearly seven percent this year, and cannabis production remains low.

II. Status of Country

Colombia is the world's leading source of cocaine HCl. Trafficking organizations rely heavily on bulk quantities of cocaine base flown from Bolivia and Peru, as well as on small amounts of leaf from Colombia's own estimated 37,500 ha of low-yield coca. Refiners also import most essential chemicals. Colombian trafficker strength lies in their efficiency in carrying out cocaine HCl processing, coupled with the organizations' ruthless control of wholesale distribution chains and markets. Most of the traffickers' profits appear to remain outside Colombia, although new GOC fiscal policies apparently allowed more narcotics proceeds to flow into Colombia in 1991.

A major supplier of marijuana through most of the 1980s, Colombia has effectively eradicated most of that crop. Only about 2,000 ha are now under cultivation. Commercial-scale opium cultivation gained a foothold in 1991, but heroin refining and trafficking appear to be limited. The GOC has announced that it will curb the opium poppy crop and heroin production through manual and aerial herbicidal eradication. Although an estimated 1.2 million Colombians abuse drugs, the GOC lacks sufficient data to determine the full extent of the problem. The use of basuco, a form of cocaine base which is smoked (a crude form of crack), is particularly worrisome. In 1992, the GOC will conduct an epidemiological survey to better define the extent of the problem.

III. Country Actions Against Drugs - 1991

Policy Initiatives and Accomplishments. The GOC showed great initiative and energy in its counternarcotics activities. Although constitutional reforms abolished the extradition of Colombian nationals, the GOC leadership concentrated on other, longer-term solutions. The Gaviria Administration warded off the majority of challenges to judicial reform decrees throughout the turbulent constitutional reform, legislative, and electoral processes of 1991. Under bilateral counternarcotics agreements with the U.S. and other countries in chemical control, evidence sharing, and information exchanges, the GOC began to establish a more focused, effective, prosecutorial criminal justice system. Additionally, the GOC has improved its ability to investigate crimes and has developed a new code of criminal procedure.

Colombia for the first time successfully indicted a defendant using evidence from the United States. Since their creation in mid-January, public order courts have tried 700 persons accused of narcotics-related crimes, and handed down convictions in 60 percent of the cases. A total of 319 cases were resolved, with 487 persons convicted of public order crimes and another 209 individuals acquitted. The reformed judicial system's toughest challenge in 1992 will be the trial of Pablo Escobar and other important drug traffickers.

A combination of tough enforcement action and plea-bargaining decrees placed several of the more notorious Medellin traffickers behind bars pending trial. Although the USG has concerns about the liberal conditions of incarceration for major traffickers, the GOC is making a concerted effort to strengthen the prison system. The government has also promised to take strong action against those in custody who remain active in the drug trade. Meanwhile, Colombia has begun to train large numbers of investigators, prosecutors, and judges to work in their newly established prosecutorial type of judicial system. Enforcement agencies expect to expand their counternarcotics investigative capabilities to include chemical control, money laundering, and asset seizure.

Law enforcement efforts. USG-GOC cooperation, especially with the police, has never been better. Key agency leadership is, for the most part, young and energetic. All Ministry of Defense (MOD) forces are now tasked with narcotics interdiction. The Colombian National Police (CNP), which come under the MOD, seized record amounts of refined cocaine (nearly 74 mt). Colombia's Marine Infantry riverine interdiction force, trained by U.S. Mobile Training Teams, destroyed 22 cocaine processing labs, while Colombia's Air Force forced down six trafficker aircraft and flew hundreds of hours to support counternarcotics operations. The Air Force also participated in air interdiction operations aimed at closing down air corridors from Peru and Bolivia in the USG-initiated "Support Justice" campaigns. The CNP's investigative arm (DIJIN) is developing a special chemical action task force with U.S. assistance, and the Department of Administrative Security (DAS) is taking a leading role within the GOC and working in cooperation with DEA in both money laundering and asset seizure operations.

Corruption. Corruption remains a problem in Colombia, but it is not as serious as in other drug producing and trafficking countries. The 429 policemen killed in action during 1991 are grim testimony to the CNP's willingness to resist corruption and intimidation while it pursues effective operations.

CNP policy is to court martial those suspected of corruption. Those convicted, regardless of rank or status, are dismissed from the service with loss of all rights and benefits. The police turn over evidence to civilian authorities, who may pursue the case on criminal grounds. Various offending officials have been convicted by criminal courts and sent to prison. A number of military, police, and judicial cases were processed by civilian or military tribunals in 1991, including a retired director general of the CNP who lost all retirement benefits for "illegal enrichment." While corruption is a problem at most levels, there is currently no evidence of senior-level corruption within the GOC.

Agreements and Treaties. Colombia is a party to the 1961 Single Convention on Drugs and the 1971 Convention on Psychotropic Substances. It has signed but its Congress has not yet ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The GOC signed with the USG asset sharing and chemical control agreements as well as a declaration of intent on evidence sharing. Although the new constitution declared unconstitutional extradition of native-born Colombians, the GOC still extradites nationals of other countries.

While money laundering is not a crime under Colombian law, the GOC has taken measures to track money entering the country. In February, Colombia instituted a requirement that all financial institutions licensed to deal in foreign exchange keep cash transaction records (CTRs) on transactions over $10,000. CTR's must be retained for five years. To date, however, only one bank has a system to consolidate data from all its branches. There is no centralized data bank for CTR's, nor are there "banker negligence" regulations. There are also liberalized regulations which allow Colombians to repatriate foreign-held funds with only a small tax. Nonetheless, banks are willing to establish procedures to help protect them against involvement in money laundering. The GOC participates actively in OAS and Caribbean Task Force meetings on money laundering.

The Gaviria Administration is working in three areas to assist in the tracking of narcotics proceeds. These include:

-- Tax Information Exchange Agreement. GOC tax authorities are in regular contact with IRS negotiators concerning enabling legislation and operational procedures. Formal negotiations will likely begin early in 1992.

-- Financial Disclosure Legislation. The Minister of Finance has tasked the Banking Superintendent to formulate regulations to centralize financial information and permit its exchange with foreign governments.

-- Financial Task Force. The DAS is establishing a financial investigation task force.

Cultivation and Production. Coca is Colombia's largest narcotic crop, totalling about 37,500 ha (CY 1991 aerial survey), a 7-percent decline from the 1990 estimate of 40,100 ha. Most reductions took place in the Guaviare region where the CNP's Directorate of Anti-Narcotics (DAN) is particularly active. Coca eradication, while important, is not the focus of counternarcotics efforts. Laboratory tests show Colombia's coca to have a relatively low yield (0.32 percent alkaloid), about half that of Bolivia and Peru. Furthermore, manual eradication is dangerous since much of the cultivation occurs in guerrilla zones, thus exposing ground forces to ambush. Even so, MOD forces destroyed 972 ha of coca in 1991. Cocaine interdiction, a major focus of the government's counternarcotics program, reached record levels in 1991, with 86.35 mt of seized HCl/base, 66 percent higher than the 53.07 mt seized in 1990.

Most of the coca grows in the Caqueta, Putumayo, Vaupes and Guaviare regions of the country. Cultivation techniques yield only 800 kg of dry leaf per year per hectare, with about 500 kg of dry leaf yielding one kg of cocaine base. If all of this leaf were harvested and converted into base or HCl, Colombia's crop is theoretically capable of yielding about 30,000 mt of dry leaf, equivalent to 60 mt of base or 54 mt of cocaine HCl. There is no reliable information available as to the actual amounts of leaf or refined products coming from the crop.

Cannabis cultivation is now minimal. October overflights revealed only an estimated 240 ha in traditional areas. From this survey, the USG estimates that some 2,000 ha are under cultivation. We believe that much of the 307 mt bulk marijuana seized in 1991 was grown on the Venezuelan side of the Perija mountain range.

Commercial opium poppy cultivation, while identified as early as the mid-1980s, has become a matter of much greater concern. Police and military forces manually eradicated 1,156 ha of opium in 1991. GOC experts visited Guatemala in November to explore the possibility of aerial eradication. Current survey data is insufficient for an accurate calculation of crop size and yield, but the USG estimates that approximately 2,500 ha are under cultivation, with more terrain under preparation for future plantings. Cultivation is concentrated in the departments of Huila and Cauca, but it also has been recorded in Antioquia, Boyaca, Tolima and Cundinamarca. CNP forces thus far have found only five small morphine labs. Most of the gum produced may be exported.

Maximum Achievable Reductions. Although cannabis cultivation is limited, there are still approximately 2,000 ha of replanted marijuana which were not eliminated in 1991. The GOC is committed to attacking these crops in 1992. The government eradicated 1,156 ha of opium poppy cultivation in 1991 and plans to destroy as much of the remaining crop as possible in 1992. Considering the various successful programs conducted by Colombia, the USG believes that the GOC took actions resulting in the maximum achievable reductions in production of illicit narcotics in 1991.

Domestic Programs. The National Directorate of Narcotics is focusing on Colombia's demand reduction programs. The Directorate serves as a coordinating body for a number of government, quasi-government, and private organizations, which both survey and educate the Colombian public. It has agreed to conduct national substance abuse surveys every two years and is developing survey formats compatible with those of neighboring countries and the United States. They are currently selecting an institution to conduct the 1992 national survey.

In recognition of the need to build public awareness of and support for the GOC-USG bilateral anti-narcotics efforts, the two governments are also working toward the signing of a Memorandum of Understanding on public awareness. This MOU will reaffir[illegible]ur shared commitment to improve contacts and communications [illegible]g public and private sector groups which support U.S.-GOC counte[illegible]cotics goals.

Policy Initiatives and Bilateral Cooperation. U.S. initiatives and programs are extensive and involve all aspects of the USG's Andean Strategy and the Cartagena Accords. U.S. support of the GOC's commitment and capabilities is showing results. Significant improvement can be seen in the operational effectiveness of complex, multi-agency operations involving the use of U.S.-supported aircraft for operations in remote jungle areas infested with heavily armed traffickers.

The FY91 budget of the State Department Bureau of International Narcotics Matters (INM) is $20 million and focuses largely on upgrading the CNP. The majority of the funds sustain the CNP's Airwing, permitting a sharp increase in large-scale helicopter-supported operations. This was a major factor in the GOC's record cocaine seizures. Helicopter mobility also enabled the CNP to pursue the leadership of the Medellin Cartel.

The USG also provided the GOC $37.1 million in military assistance and $1.6 million in DOD Excess Defense Articles (EDA). Most of the assistance was destined for Colombian military support of CNP counternarcotics efforts as well as for the military's own operations. In 1991, Colombian Army units staged the first airborne operation against a narcotics target and, in December, seized 12 mt of cocaine. About $12 million in military assistance will go to the CNP for its medium air lift support. U.S. assistance will help the CNP and Armed Forces reach even further into remote and dangerous trafficking areas of Colombia.

USAID is also committing significant resources to the judicial reform program. The focus is on revamping and strengthening the criminal justice sector, with special support for the newly developed public order courts charged with handling only narcotics and terrorism-related cases. The program calls for $36 million to be spent over a four-year period. In addition, INM supports a judicial protection program which includes the training of instructors, investigators, prosecutors, and judges in the application of new investigative techniques and

equipment. USAID also will fund a drug awareness and education project to alert the Colombian public to the harm done to their society by drug abuse and trafficking and to generate support for GOC counternarcotics activities. INM will provide training and technical assistance in the areas of advanced treatment and prevention techniques.

State and DOD resources enhance MOD and DAS capabilities to investigate and interdict narcotics activities. All MOD forces (including the CNP) are now engaged to some extent in counternarcotics activities or provide support to Police efforts. The increased effectiveness of the counternarcotics forces and improvements in coordination, operational sustainment, and intelligence resulted in record seizures of illicit drugs, trafficker resources and assets, and of traffickers themselves.

Statistical Tables

TABLES for CY		*1992 est*	1991	1990	1989	1988
COCA						
Potentially harvestable	[ha]	*39,300*	37,500	40,100	42,400	34,000
Eradication	[ha]	*1,000*	972	900	640	230
Estimated cultivation	[ha]	*40,300*	38,472	41,000	43,040	34,230
Leaf						
Potentially harvestable	[mt]	*31,440*	30,000	32,100	33,900	27,200
Seized	[mt]	*500*	140	340	203	93
Potentially available for conversion	[mt]	*30,940*	29,860	31,760	33,697	27,107
OPIUM						
Potentially harvestable	[ha]	*1,200*	1,344	-	-	-
Eradication	[ha]	*1,000*	1,156	-	-	-
Estimated cultivation	[ha]	*2,500*	2,500	-	-	-
CANNABIS /a						
Harvestable Cultivation	[ha]	*2,000*	2,000	1,500	2,270	4,188
Eradication	[ha]	*0*	0	500	130	5,012
Cultivation	[ha]	*2,000*	2,000	2,000	2,400	9,200
Theoretical Potential Yield	[mt]	*1,650*	1,650	1,650	2,800	7,776
Seized in country****	[mt]	*400*	329	664	708	923
Labs Destroyed* **						
Cocaine			239	269	452	831
Morphine			5		-	
Seizures						
Cannabis	[mt]	*400*	307	1,000	708	923
Base and Bazuco	[mt]	*10.90*	9.28	5.80		
Cocaine HCl	[mt]	*50.00*	77.07	47.27		
Total HCL/Base Seized**	[mt]	-	86.35	53.07	37.30	23.00
Domestic Consumption						
Cocaine (rough estimate)	[mt]		2	2	2	2
Marijuana (rough estimate)	[mt]		2	2	2	2
Arrests /b						
Nationals	persons		-		3,574	5,565
Foreigners	persons		-		33	31
Total Arrests****	persons		1,170	6,150	3,607	5,569

[a] Lower marijuana seizure and eradication figures reflect the Government of Colombia's success in virtually eliminating Colombia as a major supplier through aerial application of herbicides. Nearly all bulk marijuana seized in 1990 was found in the Venezuela border area from which Colombian authorities

believe most production originates.

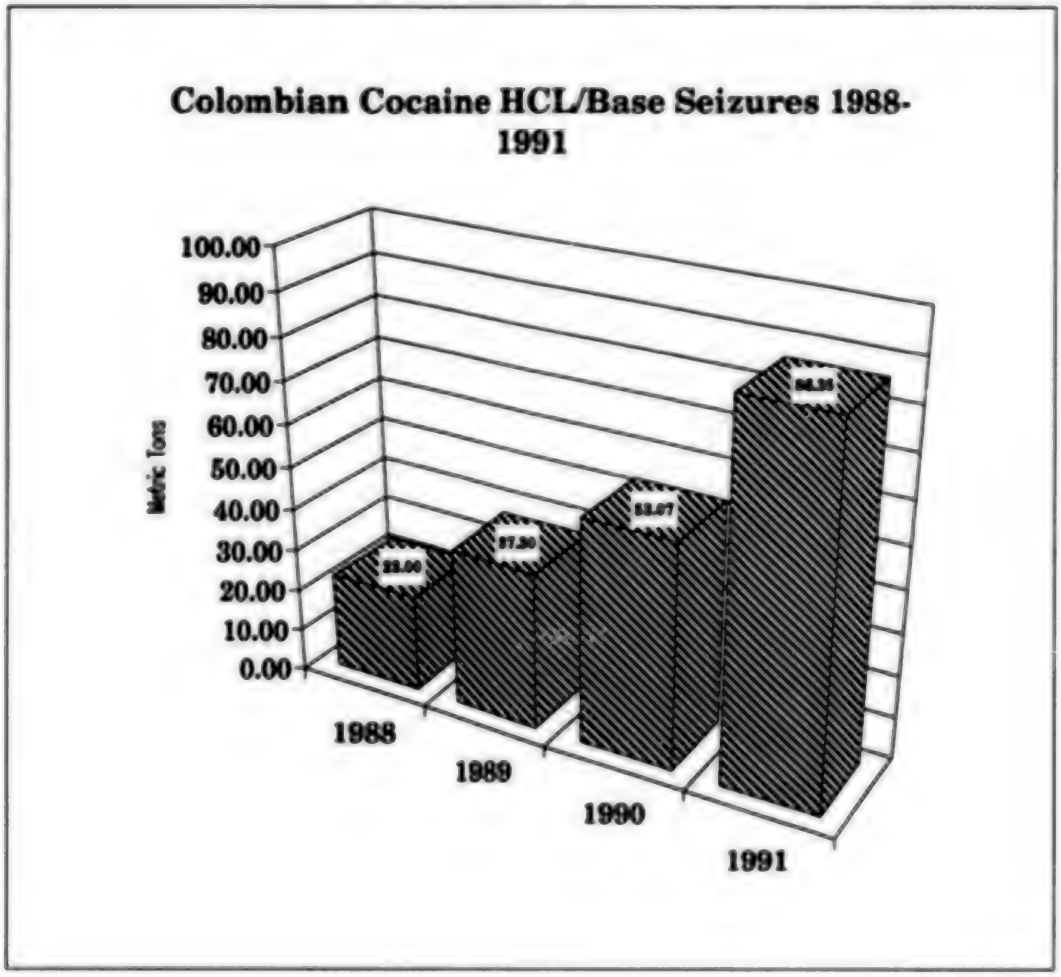
[b] Arrest and seizures data was provided by the Colombian National Police, Directorate of Anti-Narcotics.

*The estimated leaf-to-HCl conversion ratio is 500:1.

** Cocaine seizures in 1991 surpassed Colombia's estimated home-grown productive capacity.

*** Prior year seizure figures were not broken down for HCl and Base.

****1990 Figures corrected by Colombian Government authorities. Where no information is shown, there was no breakdown by the Colombian authorities.



ECUADOR

I. Summary

Ecuador is a drug transit country. While the Government of Ecuador (GOE) has eradicated virtually all coca and there is little evidence of drug processing, precursor chemicals pass through Ecuador en route to Colombia, and drugs return through Ecuador destined for U.S. and European markets. Trafficker aircraft also overfly and likely refuel in Ecuador; four such aircraft carrying drugs and dollars have gone down in Ecuador in recent years. Each year, money is reportedly laundered in the form of investments in local property and goods or transactions through local financial institutions. Illicit drug use, while comparatively low, is increasing, along with drug-related intimidation, corruption, and violence.

Ecuador recently enacted laws that criminalize drug and chemical trafficking and money laundering, and establish a ministerial-level drug council to coordinate drug prevention and control activities by all public and private institutions, including the Ecuadorian military. In 1991, the GOE and the USG signed a chemicals control agreement, initialed a money laundering agreement, and concluded two bilateral project agreements on behalf of the national drug police, known in Ecuador as Interpol, and the Military Customs Police. Despite Ecuadorian efforts and cooperation with the USG, drug seizures remain low. Coca eradication, however, has almost tripled from 1990

II. Status of Country

Ecuador has no tradition of coca growing or use. Currently, Ecuador has neither a major coca cultivation nor a significant drug processing problem. It is, however, a transit country for essential and precursor chemicals to neighboring countries and for drugs returning through Ecuador to export markets in the U.S. and Europe.

Drug consumption in Ecuador remains comparatively low, although drug abuse and drug-related violence are increasing. Ecuador is concerned that drug trafficking and violence in neighboring countries may spill over into Ecuador as anti-drug pressures in those countries increase. Several Ecuadorian drug networks are known to move commercial quantities of drugs through Ecuador or to act as brokers through other countries. There appears to be significant laundering of drug profits; an estimated $400-$600 million is reportedly laundered in the form of investments in property and goods or transactions through local financial institutions.

III. Country Actions Against Drugs in 1991

Policy Initiatives and Accomplishments. The Ecuadorian Government is committed to curbing drug trafficking. It energetically eradicated coca in the mid-1980s and continues to conduct periodic aerial reconnaissance missions to seek out and destroy new cultivation and processing facilities as resources permit, it destroyed some 73,000 coca plants in 1991, almost a 300 percent increase from 1990. Ecuador was the second South American country to ratify the 1988 UN drug convention. In September, it passed comprehensive legislation, based on the UN Convention and OAS model regulations, which criminalized the production, transport and sale of controlled narcotic substances; the import, diversion and use of precursor chemicals for illicit purposes; money laundering; intimidation or subordination of judicial and public authorities for drug crimes; and illicit "association" related to drug trafficking and profiteering. The law established a ministerial-level National Drug Council (CONSEP) which is to establish and coordinate drug prevention and control policy and activities by all public and private institutions, including the military. A retired army colonel became executive director of CONSEP in December.

Law Enforcement Efforts. Ecuadorian law enforcement agencies seized slightly more than an estimated 1 mt of cocaine, paste and base in 1991. Nearly 2,800 Ecuadorian nationals and 200 foreigners were arrested on drug charges in 1991, though none were major traffickers. (Currently, 18 American citizens are jailed on drug charges in Ecuador.) Drug detector dogs are used at both Quito and Guayaquil international airports and increasingly at roadblocks, border checkpoints and the ports. The anti-drug branch of the National Police, Interpol, operates a riverine unit which in 1991 conducted inspections in the northern and southern coastal border provinces of Esmeraldes and El Oro. The unit plans to expand operations into the northeastern Amazon area in 1992. Interpol also established a financial investigations unit and a specialized drug intelligence unit and expanded its chemicals control unit and Guayaquil airport group in 1991.

A program with the Ecuadorian Army initiated in 1991 with funds from the State Department's Bureau of International Narcotics Matters (INM) and the U.S. Military assisted in increasing army counternarcotics patrols along the northern border with Colombia and launching an Army riverine program based in the Oriente. Interpol forces worked with the Air Force and were assisted by the Navy in a joint land-riverine exercise in northwestern Esmeraldas Province in late 1991.

Corruption. The GOE has taken a strong public stance against drug trafficking, bribery and intimidation related to drug crimes. The 1990 drug law criminalized trafficking as well as bribes, corruption and intimidation in drug investigations and trials. No senior GOE officials are known to engage in or to facilitate drug trafficking.

Corruption remains a problem in Ecuador, although the GOE has taken steps to publicly repudiate or remove public officials, including judges and law enforcement personnel, implicated in drug-related crimes. A scandal dating from the 1988 disappearance of two Colombian youths resident in Ecuador erupted in 1991 and resulted in a major restructuring of the National Police and creation of a new Judicial Police. The reforms call for increased public spending on law enforcement, enlarging the police force by 2,000 to approximately 17,000 persons and improving police recruitment, training, and oversight. Ecuadorian law, regulations, and public policy impose strict sanctions against drug trafficking and money laundering, although enforcement and prosecutions remain weak. An Ecuadorian Congressional Committee on money laundering has spoken out forcefully against money laundering and the GOE's failure to investigate and prosecute such cases more energetically. GOE cooperation in a recent money laundering case led to the conviction of an Ecuadorian national in New York. The GOE, the Congressional Committee and the private banking sector have all cooperated closely with the USG on developing stricter controls and investigative procedures to impede money laundering.

Agreements and Treaties. In 1991, the GOE concluded bilateral drug control project agreements with the U.S. on behalf of the National Drug Police, Interpol, and the Military Customs Police. The GOE also signed a bilateral Chemical Control Agreement and initialed a Money Laundering Agreement with the USG. The USG has proposed negotiations on an asset sharing agreement and a memorandum of understanding on public drug awareness programs in early 1992. The GOE has signed anti-drug cooperation agreements with a number of other South and Central American governments and initialed an anti-drug cooperation and asset sharing agreement with the UK. Ecuador participates actively in regional and multilateral anti-drug fora, including the U.S.-sponsored Chemical Action Task Force and the OAS Chemical Control Working Group.

The GOE supports extradition in the case of drug crimes. In a number of cases over the last several years, the GOE has cooperated with U.S. agencies to deport or investigate alleged drug traffickers. The constitution, however, bars extradition of Ecuadorian nationals. The Borja Government has twice submitted bills to change the constitution to permit extradition of nationals in the case of drug crimes, but Congress has so far declined to act. (The GOE invariably describes drug trafficking as a "crime against humanity" and one which requires joint international effort and harmonization of national drug laws.)

Demand Reduction. Drug consumption in Ecuador remains relatively low. Nonetheless, Ecuadorian drug law and policy puts particular emphasis on drug prevention, education, and rehabilitation. With support from the USG, the National Drug Council, Ministries of Education, Health and Social Welfare, and a number of private institutions conduct nation-wide prevention campaigns. The Catholic Church is also becoming increasingly involved in drug education and rehabilitation, particularly in provincial areas where drug use and related delinquency appear to be on the rise.

In accordance with Ecuadorian law, all public institutions, including the military and private organizations, are required to establish drug prevention programs in the workplace. The Ecuadorian Armed Forces just approved a similar plan.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. policy in Ecuador is designed to strengthen Ecuador's political will and drug enforcement capabilities, working through the National Drug Council, Interpol, Military Customs Police, the various ministries involved in drug policy and prevention, drug prevention agencies, the media and, increasingly, the armed forces. The USG provides assistance to GOE drug control programs involving intelligence collection, identifying and dismantling drug trafficker networks, chemical control, drug interdiction, money laundering, coca eradication, and the detection and interdiction of drug flights. Equipment, training, funds and technical assistance are provided by INM, DOD and the U.S. Drug Enforcement Administration (DEA). USAID operates an active drug prevention program with both public and private sector agencies. INM provides advanced training in drug prevention techniques. USIS has significantly increased the coverage and placement of drug-related information in the local media. It also runs frequent Arnet and Worldnet programs on drug-related issues, publishes a drug alert bulletin and facilitates drug research through its International Narcotics Information Network (ININ) and library programs.

Bilateral Cooperation. Bilateral cooperation has enabled Ecuadorian drug enforcement agencies to expand drug police presence in all 22 provinces and in five recently-inaugurated integrated police posts located along major drug transit routes. It has permitted the establishment of a nearly country-wide police radio network, police and army riverine units, detector dog programs for both the Police and Customs, a police drug information and coordination center, periodic aerial reconnaissance, and specialized units working in the areas of chemicals control, intelligence collection and financial investigations.

The Road Ahead. In the year ahead we expect that enhanced law enforcement presence will translate into increased seizures of drugs and chemicals transiting the area and that the bilateral money laundering agreement will be finalized and implemented. In response to both the anticipated increase in drug control operations by the Ecuadorian military and the GOE's heightened interest in the air monitoring operations of U.S. SOUTHCOM, the USG will focus on counternarcotics operations which emphasize joint military-police and regional cooperation.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
COCA /a						
Harvestable Cultivation	[ha]	*20*	40	120	150	240
Eradication	[ha]	*20*	80	30	90	60
Cultivation	[ha]	*40*	120	150	240	300
Leaf						
Potential Harvest	[mt]	*20*	40	120	150	240
Loss Factor - 10%	[mt]	*2*	4	12	15	24
Available for Potential Conversion	[mt]	*18*	36	108	135	216
Seizures						
Cocaine	[mt]		0.858	0.561	0.299	0.015
Base, paste	[mt]		0.305	0.707	0.460	0.131
Marijuana	[mt]		0.17	0.404	0.273	0.145
Total Cocaine products	[mt]		1.163	1.268	0.759	0.146
Arrests						
Nationals			2,794	3,147	2,440	2,102
Foreigners			198	220	110	71
Total Arrests			2,992	3,367	2,550	2,173
Cocaine Labs Destroyed			4	1	2	3
Chemicals Seized:						
Acetone	Liters		0	75		
Ether	Liters		0	44		
MEK	Liters		2,200	75		
Thinner	Liters		440	0		
Sulfuric Acid	Liters		0	10		
Assets Seized:						
Vehicles	items		23	33		
Motorcycles	items		4	2		

(a) Revisions in coca cultivation and production data for previous years (1987-89) are due to recalculation of yield from 1.5 metric tons of coca leaf/hectare to one metric ton/hectare.

1/30/92

PARAGUAY

I. Summary

Paraguay is a transit country for cocaine shipped from Bolivia and other Andean producers to Brazil and Argentina. Marijuana is produced in significant quantities in the northeastern region of the country. A diverse and growing financial sector provides the potential for money laundering, and the country's geographic position makes it a prime candidate for serving as a transit route for precursor chemicals. Over the past year, the government has taken steps to address these concerns by reorganizing its counternarcotics forces, increasing enforcement activity, improving regulation of the financial sector, and expanding prevention programs for domestic drug abuse. Paraguay has cooperated closely with U.S. law enforcement authorities and has taken significant steps to improve coordination with anti-narcotics forces in neighboring countries.

II. Status of Country

Paraguay is considered an important transit country because of its suspected role as a route for cocaine HCl from Bolivia and other Andean countries to Brazilian and Argentine ports for onward distribution to the United States and Europe. The lack of reliable data on narcotics trafficking hinders an assessment of the problem as well as law enforcement efforts. Paraguay's extensive, unpatrolled land borders with Bolivia, Brazil, and Argentina facilitate movement of contraband, including cocaine. Much of the contraband is transported by small aircraft which use unregulated and/or isolated Argentine airstrips in the western half of the country and near the eastern border with Brazil. With a diverse and growing financial sector, Paraguay may be developing a money laundering problem. Paraguay may also be a transit route for precursor chemicals that are transshipped from Argentina and Brazil to Bolivia. There is no confirmation that cocaine processing labs exist in Paraguay.

Marijuana is produced in significant quantities in the northeastern region of the country. Paraguayan authorities believe that this marijuana is either consumed domestically or exported to Brazil and Argentina. The ruggedness of the terrain where marijuana is grown necessitates visual detection from the air. These overflights reveal a pattern of small (1/2 to one hectare plots) cultivations set in the midst of dense forests.

Policy Initiatives. Paraguayan efforts to improve counternarcotics capabilities continued to center on institution-building. In June, President Rodriguez formalized General Marcial Samaniego's status as drug czar by creating the National Anti-Narcotics Secretariat (SENAD) and confirming Samaniego in the new job. In November, the President moved to strengthen further Samaniego's authority by proposing amendments to the 1989 narcotics law which would bring

all anti-narcotics activity, including operational control of the Interior Ministry's counternarcotics police (DINAR), under the General's supervision and coordination. The most significant policy initiative during the year was the issuance by the Central Bank of a regulation requiring all banks and financial institutions operating in Paraguay to report to the Central Bank all transactions of more than $10,000.

Accomplishments. During 1991, General Samaniego raised public awareness of narcotics by attending drug prevention seminars, seeking cooperation from foreign embassies, and speaking to the press about the drug problem. General Samaniego sought closer cooperation with the congressional anti-narcotics commission. He also took steps to integrate the U.S.-trained 35-man joint military/police strike force with DINAR and to mount field operations. The Interior Ministry agreed to increase the 1992 budget for DINAR to approximately $1 million, a substantial rise from the 1991 budget of $750,000 and $500,000 in 1990.

USIS-supported programs, including a highly persuasive American Participant (Ampart) speaker program, helped stimulate the new regulations on financial transactions, while the Government of Paraguay (GOP) sent Central Bank employees to the United States to observe the U.S. system. Paraguay requested additional U.S. assistance in the enforcement of regulations against money laundering, and the GOP has agreed to discussions regarding a possible financial information exchange agreement. With USAID assistance, the GOP developed a national drug abuse awareness, education, and prevention program, increased its public awareness efforts and conducted an epidemiological study of substance abuse.

Law Enforcement Efforts. The GOP's U.S.-trained joint police/military strike force carried out several well-planned operations to eradicate cannabis cultivation, to check unregistered airstrips, and mount random roadblocks for checks on vehicles in suspected trafficking areas along the eastern border with Brazil. The GOP stepped up efforts to monitor precursor chemical movements. One alleged precursor storage site was investigated by SENAD personnel, and a shipment of acetone through Asuncion was seized because of improper documentation. In July, a Bolivian aircraft, its Bolivian Air Force pilot and two passengers were detained by the Paraguayan military when 16 kg of cocaine were discovered after their plane landed at a military airstrip in the northern Chaco.

Corruption. Contraband smuggling and other corruption are a way of life in Paraguay and constitute a serious problem, complicating Paraguay's transition to democracy and impinging upon counternarcotics efforts. It is difficult to differentiate clearly between non-narcotics contraband activity (import and reexport of licit commercial goods) and narcotics-related traffic. Lack of hard evidence is compounded by a chronically weak judiciary. Bribery of public officials and acceptance of bribes are criminal offenses, but enforcement of the law is problematical.

The GOP does not, as a matter of policy, facilitate the production or distribution of illicit drugs. No senior official has been charged with the production, distribution of drugs, or money laundering of proceeds. Publicly and privately, President Rodriguez has pledged his government to fight official corruption. The GOP took a significant institutional step in combatting fiscal corruption when it created the post of Comptroller General, which, among other functions, serves as the equivalent of the U.S. General Accounting Office (GAO). Concrete anti-corruption results, however, have been limited.

Agreements and Treaties. Paraguay is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It also has a tripartite anti-narcotics agreement with Argentina and Bolivia and bilateral anti-drug agreements with other countries, including Venezuela. Paraguay is a member of the OAS anti-narcotics commission (CICAD). The Government of Paraguay meets the requirements of the Chiles Amendment through a bilateral agreement with the United States signed in 1989.

Cultivation and Production. Cannabis is the only illicit crop cultivated in Paraguay. It is grown in small patches in the northeastern region of the country. Generally, Brazilian traffickers pay Paraguayan farmers to cultivate cannabis in clandestine plots on property owned by others. Most of the crop is reportedly exported to Brazil, with some also going to Argentina. The warm climate and fertile soil in the region of cultivation allow at least two crops per year.

Domestic Programs. Paraguay has a small but growing substance abuse problem. The recent USAID-funded epidemiological study revealed that among urban Paraguayans, ages 12 to 45, 10.3 percent had abused prescription medicines, 1.9 percent inhalants, 1.4 percent marijuana, 0.3 percent cocaine, 0.2 percent opiates, and 0.1 percent hallucinogens. The study also revealed that 41 percent of young people between the ages of 12 and 22 do not have a clear idea about the risks of marijuana and cocaine use. The Minister of Public Health coordinates a national prevention program and cooperates closely with civic organizations on education and prevention programs.

IV. U.S. Policy Initiatives and Programs:

Policy Initiatives. U.S. objectives are to improve Paraguay's institutional capability to thwart narcotics trafficking, to prevent Paraguay from becoming a center for money laundering, and to increase public awareness that narcotics is a Paraguayan problem.

Bilateral Cooperation and Accomplishments. Operational readiness and effectiveness of the joint strike force was improved by U.S.-provided training, communications support, and assistance for four field operations. The U.S. Drug Enforcement Administration (DEA), DINAR and SENAD cooperated on joint investigations leading to cocaine seizures. Counternarcotics operations were also a component of the annual U.S.-Paraguay military excercises.

In 1991, the State Deparmtent Bureau of International Narcotics Matters (INM) provided $390,000 for narcotics detection dogs; vehicles, maintenance and fuel; communications equipment; a computer system; additional training by DEA and U.S. Army Special Forces; a port/river control project; and narcotics abuse prevention and education.

The GOP has cooperated with the USG in extradition proceedings. There were no requests for the extradition of narcotics traffickers during 1991. There is currently one outstanding USG request for the extradition of Alejandro Stumpfs, who is wanted on counterfeiting charges in the United States; the Stumphs case is still making its way through the Paraguayan court system.

The Road Ahead. During 1992, the U.S. will seek to expand the GOP counternarcotics data base and improve information management; increase cocaine seizures through joint investigations; broaden the involvement of Paraguayan Customs, Immigration and naval forces in enforcement efforts; and conclude a Tax Information Exchange Agreement with the GOP.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990*	1989	1988
CANNABIS						
Harvestable Cultivation	[ha]	*2,500*	2,750	2,250	37	2,965
Eradication	[ha]	*500*	250	250	388	35
Cultivation	[ha]	*3,000*	3,000	2,500	425	3,000
Potential Yield	[mt]	*2,500*	2,750	2,250	37	2,965
Seized in-country	[mt]	*500*	250	250		
Available for export	[mt]	*2,000*	2,500	2,000		
Seizures[a]						
Cocaine	[mt]	*0.90*	0.90	0.43	0.23	0.20
Marijuana	[mt]	*500.00*	250.00	-	8.04	250.00
Arrests[a]						
Nationals		*500*	300	200	158	-
Foreigners			-	-	52	-
Total Arrests		*500*	300	200	210	250
Users [b]						

* Corrected in 1991. Paraguayan authorities underestimated crop in 1989.

[a] Data provided by DINAR, the Paraguayan Narcotics Police.

[b] No reliable data is available on the volume of illicit drug use in Paraguay. The 1991 epidemiological study referred to in the text reports percentages of the population who have abused prescription medicines or used illicit drugs, but the study does not contain data on the frequency of use or amount of the drug consumed.

1/31/92

PERU

I. Summary

Despite an enhanced Government of Peru (GOP) commitment in 1991 to the narcotics fight, translating the government's political will into action in narcotics-producing areas was slow and uneven. The GOP's ability to control coca cultivation, processing, and export was limited by terrorism, lack of resources, economic depression, the GOP's implementation of a drastic economic reform and stabilization program, the debilitation of official institutions, and widespread corruption. At year's end, there were encouraging signs of more effective efforts by Peruvian security forces and of their willingness to undertake actions to disrupt Peru's illegal narcotics industry. Ironically, this increased activity is forcing coca production out of its main area in the Upper Huallaga Valley (UHV). We will have to work with the GOP to ensure that the displacement is constrained while we sustain efforts in the UHV.

Lab and airstrip destruction, coca eradication, and seizures of coca base and precursor chemicals were down in 1991. The GOP, however, did achieve a slight reduction in the total amount of coca cultivation. Increased Peruvian military support for the narcotics fight became apparent late in the year. Peruvian Air Force involvement became a key factor in attacking the narcotics problem while Army efforts were spotty. Increasing violence of the Sendero Luminoso (SL) and Tupac Amaru (MRTA) insurgent groups, as well as their involvement in narcotics production and trafficking, corruption in the field, and a lack of resources to provide significant support for operations hindered Army efforts.

After lengthy negotiations, the USG and GOP reached a consensus on implementing a comprehensive drug control strategy. President Fujimori signed a narcotics control and alternative development agreement with the USG in May. Disbursement of USG economic and military assistance only began late in the year after a lengthy Congressional hold; further disbursement is tied to GOP progress on specific human rights and narcotics control actions.

Enforcement efforts are expanding as coca cultivation and illegal coca base processing spread to areas beyond the UHV where the Santa Lucia Police base is located. In 1992, with economic and military funding from the 1991 agreement, the USG plans to work with the GOP to make the agreed strategy active and effective. We will seek to enhance Peruvian enforcement programs to disrupt major trafficking operations, to reduce coca leaf prices, and make alternative economic activities more available and attractive to coca farmers.

Although opinion polls show that the public ranks drugs below terrorism and economic problems in importance, there is general public recognition that illegal narcotics production and trafficking is a problem of concern to Peru. Opinion polls also demonstrate that the public now supports President Fujimori's comprehensive plan to work with the USG to curb the narcotics problem.

II. Status of Country

Nearly two-thirds of the world supply of cocaine is produced from coca leaf grown in Peru. Recent USG surveys indicate that the amount of coca cultivated in Peru slipped by 500 ha from the 1990 estimate of 121,300 ha down to a 1991 estimate of 120,800 ha--in part, a reflection of seedbed eradication efforts that have helped contain the spread of cultivation.

The coca industry has become a large, diversified enterprise that is well-funded and able to respond quickly to changes and threats, including those posed by the government. Peru thus remains the focal point for raw material as well as for the preliminary processing of coca.

Leaf production is centered in the UHV, where coca is far and away the biggest cash crop for a total population estimated by USAID/Peru at about 300,000. A 13 percent increase in estimated potential leaf production is attributable to fields planted in 1989 that are now attaining harvestable age in 1991. Local processing of coca leaf normally proceeds to the stage of unpurified cocaine base that is then moved by air for processing into cocaine HCl in Colombia. Some cocaine base also goes to northern Bolivia. Cocaine HCl refined in Peru probably amounts to under 10 percent of exports of refined coca products. This share could increase, however, with progressive vertical integration of the cocaine agro-industry.

Peruvian companies produce sulfuric acid and acetone, which are essential to coca refining, while other precursors enter Peru through legitimate commercial channels and are diverted for illicit drug-processing purposes.

Money laundering also remains a problem, although the majority of illegal drug funds do not remain in Peru. Drug traffickers repatriate funds to acquire raw materials for drug processing or for their personal expenses. Until late 1991, relatively weak controls facilitated the movement of drug funds from Peru to money laundering centers elsewhere.

Peru's ability to control these illegal activities remains limited. Terrorism by SL and MRTA insurgents impedes government activity, including narcotics law enforcement. Furthermore, the civil disorder caused by insurgent attacks on institutions and individuals, and the sometimes clumsy and indiscriminate responses of government security forces, contribute to Peru's poor human rights record.

Serious economic problems remain, despite the Fujimori Administration's implementation of a comprehensive economic stabilization and policy reform program. In particular, the government lacks sufficient tax revenue to implement a number of social welfare and law enforcement programs. Following years of military and populist civilian misrule, government institutions, especially the

judiciary, are debilitated; and broad-scale corruption impedes reform and narcotics law enforcement. The new penal code, which was adopted in May, contains provisions which should offer the possibility of seizure of assets used in, or derived from drug trafficking. It should also permit conspiracy prosecution for drug trafficking offenses. However, application of these provisions is impeded by weaknesses in the judicial system.

While opinion polls note public recognition that illicit drug production and trafficking are Peruvian problems which the GOP must solve, there is little consensus on how to deal with them, except that some approaches, such as the use of herbicides in aerial eradication, are not popular. The public is concerned about domestic drug abuse, and realizes that drug production finances the terrorist movements, breeds corruption, and impedes economic development; and it supports the overall objectives of GOP counternarcotics policy.

III. Country Action Against Drugs in 1991

Policy Initiatives. GOP policy is to eliminate illegal coca production by providing viable economic alternatives. This effort is nationwide, recognizing that wide-spread poverty is a major impetus for continued drug trafficking. President Fujimori's program also includes efforts to improve the administration of justice and to promote public awareness of the harm done by the drug trade. The Armed Forces increasingly have recognized their responsibility to support narcotics enforcement, since it is evident that narcotics-supported internal subversion, and incursions of Colombian trafficking aircraft into Peruvian air space, threaten national security. Police units charged with counter-insurgency and other functions began making narcotics arrests and seizures as well. Nevertheless, little progress has been made in regaining control of narcotics cultivation and processing areas from the SL and MRTA, resulting in only modest narcotics seizures and lab destructions. The GOP did not prosecute any major traffickers in 1991.

Accomplishments. The GOP labors under many handicaps, but it has undertaken a variety of initiatives to exercise more effective control. In May, it signed the comprehensive drug control and alternative development agreement with the USG, followed by supplementary agreements on counternarcotics law enforcement, economic, and military assistance. In October, Peru signed a bilateral agreement with the U.S. pursuant to the Kerry Amendment, creating a mechanism to provide for the exchange of information on cash transactions, and imposing regulations on its formal financial sector.

In November, the Peruvian Congress ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and amended the criminal code to criminalize money laundering. In December, the USG began disbursing the first tranche of the FY 1991 Economic Stabilization Fund (ESF) balance of payments assistance. The GOP has stated that it will implement the requirements of the Convention, subject to its reservation regarding traditional

uses of unprocessed coca leaf. However, the GOP must still demonstrate more concrete and substantial reductions of coca cultivation, processing, and export.

Law Enforcement Efforts. In 1991, Peruvian National Police (PNP) reported total seizures (by police or in some cases armed forces units) of 4.4 mt of cocaine base and 760 kg of cocaine HCl, and the destruction of 89 cocaine base laboratories. In January 1992, Peruvian police carried out a daring raid in the UHV town of Uchiza, seizing one-third mt of cocaine HCl, $100,000 in cash and an arms cache.

The focus of U.S.-supported law enforcement activities has shifted to targeting trafficking infrastructure and major facilities. Although achieving some success, the close ties between Peruvian traffickers and insurgents, particularly the SL, have constrained operations. As a result, the Peruvian Armed Forces are needed to support counternarcotics activities designed to disrupt the movmeent in refined cocaine products, and to attack all aspects of the major trafficking organizations.

The Army provided logistical support in three police counternarcotics operations, stationed a security unit at the Santa Lucia Police base, and escorted heavy construction equipment required for Police operations. Nevertheless, because of continuing narcotics corruption in Army units stationed in trafficker-dominated towns, and an overall lack of resources, the level of support fell far short of what was required.

Conversely, the Peruvian Air Force has become increasingly effective in disrupting narcotics air traffic from the UHV to Colombia. As part of a plan to establish effective control over air corridors, Peruvian Air Force aircraft in the UHV and jet interceptors in northern and eastern Peru intercepted and forced over 50 aircraft to land for inspection. In June, the PNP destroyed the largest cocaine HCl laboratory yet found in Peru. In August, Peruvian Navy units seized an aircraft carrying over 500 kg of cocaine base. Coordination between USG enforcement agencies, such as the Drug Enforcement Administration (DEA), with Peruvian anti-drug agencies has improved.

Since July, Peruvian Police Special Operations Units (DOES), charged primarily with counter-insurgency duties, have supported the Narcotics Police by mounting five counternarcotics operations and seizing approximately 900 kg of coca base.

There are signs that the traffickers are beginning to adjust their activities in response to these pressures. Large-scale cocaine base laboratories owned by major trafficking organizations and concealed in uninhabited jungle or mountain areas are encountered less frequently than smaller cocaine base production facilities in urban parts of the UHV. This shift in operations resulted in part from ongoing enforcement activities in the UHV supported by DEA. In November, a major operation at Palma Pampa, nearly 300 miles south of Santa Lucia, confirmed that significant cocaine production and export activities are established in regions distant from the UHV.

Corruption. The traffickers' ability to corrupt with their immense resources remains a serious concern. Yet, the continued willingness of the GOP to sustain action against the traffickers suggests hope for improvement. President Fujimori recognizes that corruption in the police and military impedes his ability to conduct effective counternarcotics operations and other policies.

In 1991, the GOP disciplined over 500 police officers, dismissed some from service, and tried others for corruption or abuse of office. The PNP also removes personnel reported to be corrupt from drug enforcement positions, but further disciplinary action is not common.

There are also instances of narcotics-related corruption within the Army that have impeded the completion of police counternarcotics operations. There were two incidents where Army personnel in the UHV fired upon Police personnel conducting counternarcotics operations. Compared to previous years, however, the number of clashes between Army and Police narcotics units is down. The Army has assigned a liaison officer to the Santa Lucia Police Base to improve coordination.

Corruption affecting drug enforcement is a pervasive phenomenon, but the GOP does not as a matter of policy encourage or facilitate the illicit production or distribution of drugs or the laundering of drug money. There is no evidence that senior officials encourage or facilitate drug trafficking, engage in production or distribution of drugs, or are involved in money laundering.

Agreements and Treaties. As noted, the most significant development was Peru's ratification of the 1988 UN Convention. In addition, the GOP concluded an agreement on essential chemical control with the USG in May. It participated in the Chemical Action Task Force (CATF), and will receive and use information provided by the European Community and other CATF members. It has bilateral agreements for counternarcotics cooperation with a number of other Latin American countries, including most of its immediate neighbors, and with several European countries. It is an active participant in the OAS Drug Abuse Control Commission (CICAD).

Cultivation and Production. In the view of senior GOP officials, manual eradication of mature coca is precluded by security and political considerations. Eradication of coca has become dangerous because of the threat of trafficker and insurgent attacks. The Interior Ministry's Coca Reduction Agency (CORAH) did destroy 201,967 square meters of coca seedbeds in 1991 in the UHV, the estimated equivalent of 13,464 ha of mature plants. While this may represent a holding action, it contributed to the leveling-off of coca cultivation in the UHV and its movement to other areas. The USG is unable to provide reliable estimates of the maximum reduction in production achievable during the next fiscal year due to the precarious security situation in coca cultivating areas. However, seedbed eradication results in 1992 should be comparable to those of 1991.

There has been no aerial use of herbicides against coca since March 1989. Although test sites from 1989 in the Upper Huallaga show no adverse environmental affect, especially in comparison to the extensive ecological damage caused by coca cultivation, President Fujimori is publicly on record that he considers herbicides unsafe and will not permit their use. This position has widespread popular support. Aerially applied herbicides are unlikely to be employed against coca in the near future.

Alternative development has been ongoing in the UHV under the PEAH project for 10 years. However, the inability of the GOP to establish effective law enforcement and to control the price of coca, plus its inability to provide adequate security in the area, have not produced appreciable shifts to alternative crops; and the project's activities have been severely curtailed.

Domestic Programs. There is growing public awareness of domestic abuse of cocaine, and concern over the quality of drug education and treatment. The most active agency in drug education and demand reduction is the USG-supported civic organization, CEDRO, which disseminates information on the adverse effects of drugs on Peru's populace and economy. The Ministry of Education has developed a drug awareness program that is being incorporated in school curricula nationwide, and sponsors some limited community drug awareness programs. Instituto Mundo Libre, a nongovernment organization, developed a drug prevention project for "street kids" funded by a grant to the OAS by the State Department Bureua of International Narocitcs Matters (INM). Surveys indicate that there is a growing public support for counter-drug efforts.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG objective is the reduction and ultimate elimination of illicit coca production. It supports the GOP's narcotics program, encompassing law enforcement, alternative development, coca seedbed eradication, demand reduction, and public awareness. These areas of cooperation are set out in agreements between the two countries. Effective counternarcotics law enforcement will raise the costs for traffickers in Peru and Colombia, while interdiction and seedbed eradication in Peru will block the delivery of illicit drugs, erode the profitability of coca cultivating and processing for coca growers, and create economic conditions in which alternative development programs become more attractive and effective. The GOP must provide adequate security for alternative development programs in the coca-producing areas to be successful.

USG-supported law enforcement activities center on increasing the capabilities of the PNP to undertake operations in various geographic areas. An example of this is the USG-supported helicopter pilot training program, which seeks to professionalize the PNP narcotics air wing and build the logistical support aspects of Peru's own counternarcotics program. The USG has supported the GOP's efforts to establish and maintain a secure operating base at Santa Lucia in the middle of the narcotics- and insurgent-infested UHV region.

This base supports law enforcement actions against the main areas of cultivation and local production. While working in an extremely difficult and dangerous environment, the Peruvian and U.S. personnel are producing results through their dedication and determination.

As a result of extensive Executive Branch and Congressional discussions over criteria for narcotics performance and human rights conditions attached to FY 91 narcotics-related military and economic assistance funds for Peru, the USG did not disburse this money until the end of 1991. Progress in fulfilling some of the human rights conditions led to the disbursement of the first tranche of ESF in early 1992. The military assistance will build upon the current law enforcement program to provide security for police counternarcotics activities. The ESF balance of payments assistance is used to provide economic stability while the GOP carries out major economic policy reforms to support projects to stimulate broad-based economic growth, promote narcotics awareness, and reform the justice system as well as to provide economic alternatives for coca-cultivating peasants in selected areas.

Bilateral Cooperation. The specific goals established in the USG-GOP umbrella agreement concluded in May were only partially fulfilled in 1991. The program of the State Department Bureau of International Narcotics Matters (INM) for FY-91 began in June, but, as noted, delivery of FY-91 economic and military assistance will be in three tranches. In accordance with discussions between the USG and the GOP, military and economic assistance is subject to a variety of narcotics performance and human rights conditions, several of which were satisfied in January 1992, thereby permitting disbursement of some of the funds.

The GOP has established an agency to implement its alternative development program, is coordinating programs for law enforcement and coca seedbed eradication, and is maintaining an active policy dialogue with the USG concerning cooperation in narcotics matters. This dialogue included an official visit by President Fujimori to Washington in September and participation in the second counternarcotics summit with the U.S., Mexico and the other Andean countries in San Antonio in February 1992. The USG and GOP signed a Tax Information Exchange Agreement in 1990 at Cartagena, but it awaits ratification by Peru. The USG made no requests in 1991 for extradition of drug offenders.

The Road Ahead. The road ahead in Peru will be a long one. The SL and MRTA insurgents control most areas of narcotics trafficking and cultivation. These groups will continue to occupy the security forces and affect adversely the pace of police narcotics control operations and alternative development activities. There are few indications that the GOP will be able to maintain its full authority in these areas in the near future. Without adequate security, alternative development cannot be carried out.

The USG must also continue to emphasize to the Fujimori Government that law enforcement is essential to create the economic conditions that will permit alternative development programs to succeed.

Moreover, narcotics law enforcement efforts cannot succeed without the complete support of all the Peruvian Armed Forces -- a difficult task for a military organization already short of resources and facing two violent insurgencies.

With two-thirds of the world's coca grown in Peru, the USG must continue to work with the GOP to develop effective programs to curb the production and trafficking of coca products. This will require an enforcement approach that integrates individual programs, such as aerial interdiction or money laundering investigations, into a comprehensive attack on major trafficking organizations in Peru and internationally. Further work in regional alternative development is planned, with emphasis of rehabilitating roads and infrastructure and developing markets for non-coca agricultural produce in and around the UHV. Economic assistance will continue to promote judicial reform, public awareness of the narcotics problem, and other means of general economic expansion.

In a trend noted in 1991, the narcotics industry will continue to move out of the UHV into other areas, driven out by intensified enforcement efforts, higher costs because of insurgent control of narcotics markets, and intensifying violence. The GOP must meet this challenge by halting this expansion during its early stages, and providing the necessary economic alternatives to move coca producers into the legitimate economy.

Disrupting the lines of transportation and communication into and out of the UHV as well as adjoining river valleys will be a significant factor in curbing trafficker operations, despite the continued threat of insurgents in these areas.

Realistic objectives for 1992 are: (1) USG assistance programs will begin deliveries of narcotics-related training and equipment; (2) the GOP will implement an integrated national counternarcotics strategy whose enforcement, alternative development, and other elements are coordinated with mutually agreed upon strategic objectives; (3) joint enforcement programs, including air interdiction, airport control, and raids on processing centers will have a noticeable effect in disrupting specific major trafficking organizations; and (4) adequate security will be provided so that alternative development programs can offer an attractive option for farmers who abandon coca cultivation in favor of other crops and economic activities.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989	1988
COCA /a						
Harvestable Cultivation	[ha]	120,800	120,800	121,300	120,400	110,400
Eradication*	[ha]		0	0	1,285	5,130
Cultivation	[ha]		120,800	121,300	121,685	115,530
Leaf						
Potential Harvest [b] [c]						
Mature Cultivation	[mt]		222,700	196,900	186,300	187,700
Seizures						
Coca Leaf	[mt]		5.95	38.52	-	500.00
Paste	[mt]		1.07	-	1.80	9.50
Cocaine HCl	[mt]		0.76			
Cocaine Base	[mt]		4.41			
Total Cocaine HCL/Base	[mt]		5.17	8.50	0.30	0.06
Aircraft	items		10			
Arrests			2,055	-	1,275	8,000
Labs Destroyed						
Cocaine HCl			1	151	49	75
Base			89	[d]	[d]	[d]
Domestic Consumption						
Coca	[mt]		10,000	10,000	10,000	10,000
Cocaine	[mt]		-	-	-	0.03
Other Coca	[mt]		-	-	-	1.50
Users (thousands)						
Coca			3,000	3,000	3,000	3,000
Cocaine			-	-	-	141
Other Coca			-	-	-	215

(a) Hectarage data for previous years has been corrected to more accurately reflect Calendar Year rather than Fiscal Year. Some adjustments in hectarage were also necessary to correct previous errors in displaying gross rather than net cultivation.

(b) Production data for previous years has been recalculated at the rate of 1:1.14 metric tons/hectare rather than 1:1.0 or 1:03 metric tons per hectare.

(c) See "Executive Summary" for a full explanation of the "Mature Cultivation Method" of calculating coca yields.
Conversion ratios for leaf-to-HCl range between 322:1 and 345:1.

(d) Not broken down into Base and HCl in previous years.

*** Total seedbed eradication of coca in 1991 is equal to 13,464 hectares of mature plants, according to CORAH.**

Note: There is no known significant consumption of heroin in Peru.

VENEZUELA

I. Summary

Venezuela is a transit country for drugs coming from Colombia and for chemicals diverted to Colombia for use in cocaine processing. Venezuela is also a major producer of marijuana. Venezuela's geography and the current economic situation have fostered drug money laundering by Colombians, although there are no reliable quantifiable data to indicate magnitude and trends.

This was a benchmark year in the Government of Venezuela's (GOV) public policy toward drug control. Faced with tangible evidence of increased trafficker use of Venezuela (e.g record drug seizures), scandals implicating public figures in drug trafficking, and greater public awareness of the drug abuse problem, President Carlos Andres Perez announced a "war against drugs" and new measures to galvanize a GOV anti-drug strategy. Venezuela also ratified in June the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. President Perez promised that the GOV would use the Convention to strengthen domestic law enforcement and demand reduction efforts.

A Unified Drug Command was created under the direction of the Minister of Interior to provide drug policy direction. The 1984 Organic Law on Narcotic Drugs and Psychotropic Substances is being revised in the Chamber of Deputies to incorporate provisions to streamline the prosecution of drug cases, institute chemical monitoring and control measures, prohibit money laundering and permit the confiscation of drug-derived assets. The Ministry of State for Drugs and its National Drug Abuse Control Commission (CONACUID) are working to establish a national apparatus to promote demand reduction and drug education at the state level. Recently, the GOV collaborated with the Government of Colombia (GOC) in establishing a joint Drug Control Commission.

II. Status of Country

As a transit country of illegal drugs, Venezuela has become an arm of the Colombian drug traffickers' extensive transportation network. In the first ten months of 1991, GOV law enforcement authorities seized 13.5 mt of drugs (8.7 mt of cocaine), more than double the amount in 1990. In December, with the help of GOV authorities, USG authorities seized 15 mt of Colombian cocaine repackaged and shipped from Venezuela. Drugs enter Venezuela from Colombia and are transshipped to other markets via a number of air and surface mechanisms, including containerized cargo and couriers. Drugs are also temporarily stored in Venezuela for later shipment to the U.S. Stockpiles are centered in urban areas such as Maracaibo, Maracay, Caracas, Barquisimeto, and Puerto Cabello. Traffickers use poorly monitored Venezuelan ports to evade law enforcement agencies.

Traffickers in Venezuela employ the same sophisticated methods of transshipment used in Colombia. They establish "front" companies using false documents and employ highly sophisticated methods of concealment in which drugs are inserted into containers or packaged as legitimate products.

Venezuela is also a transit country for essential chemicals used in the processing of cocaine. Chemicals from Europe and the U.S. enter Venezuela through major ports (Puerto Cabello, Puerto la Cruz, Maracaibo, and La Guaira). They move to Colombia overland or through ports, using front companies to divert suspicion. The Colombians take advantage of weak or nonexistent GOV controls on chemicals used in cocaine processing.

There is no substantive data on the extent of drug money laundering through Venezuelan financial institutions. However, a few requests for information under the U.S./Venezuelan Money Laundering Agreement and between law enforcement agencies indicate traffickers are using the sophisticated Venezuelan financial apparatus to hide drug profits.

Coca and cannabis grow in small plots along the Colombian/Venezuelan border region known as the Sierra de Perija. Some coca processing may also take place along the border. Cultivation of coca and cannabis is illegal in Venezuela, as are drug possession, refining, and trafficking.

III. Country Action Against Drugs in 1991

Policy Initiatives. The GOV has embarked on a more vigorous counternarcotics campaign, initiated with President Perez's strong national drug speech in June. He warned that Venezuela is no longer simply a transit country, but a base for trafficking operations. To signal his commitment, the President signed the instrument of ratification of the 1988 UN Convention and announced several initiatives in drug control. Among them are the creation of a Unified Drug Command under the leadership of the Minister of Interior; new measures to combat drug money laundering and forceful implementation of the U.S./Venezuelan Money Laundering Agreement; institution of chemical control measures to implement the 1988 UN Convention; revision of the national drug law; creation of a National Drug Prevention Commission; and establishment of a task force under the Ministry of Foreign Affairs to focus on international drug strategies.

Accomplishments. The creation of the Unified Command is a significant step toward establishing a national drug strategy and an operational campaign against drug trafficking, money laundering, and illicit cultivation.

The GOV developed proposals to revise the 1984 drug law, and the Chamber of Deputies is completing work on provisions to incorporate into the law. It will focus on more effective judicial and prosecutorial processes for drug cases; sanctioning of money laundering; adoption of chemical control measures in line with the 1988 UN Convention; and the confiscation of drug-derived assets.

In November, the GOV and USG signed a Maritime Cooperation Agreement establishing a system of collaboration on high seas drug interdiction. Maritime cooperation was tested in October when the U.S. Coast Guard seized over six mt of marijuana on a Venezuelan-flag vessel. Other GOV elements (such as the Navy) are now adopting drug control mandates to complement established counternarcotics agencies such as the Guardia Nacional (GN), the Judicial Technical Police (PTJ), and the Directorate for Intelligence and Prevention (DISIP) of the Ministry of Interior. The 1990 USG/GOV Money Laundering Agreement was implemented in mid-1991 with the first request from the Central Bank of Venezuela (BCV) to the U.S. Treasury. In addition, the BCV instituted reporting requirements for deposits of over $10,000.

Law Enforcement Efforts. The PTJ and the GN Anti-Drug Division are the two major drug enforcement agencies. In addition, DISIP has reentered drug enforcement. The three agencies cooperate closely with the USG. Stepped-up law enforcement activities by anti-drug agencies resulted in 1991's record seizures.

The drug control enforcement presence at land, maritime, and air ports is weak, but the GOV plans to increase manpower at the major border points and sea ports. The GN-operated detector dog school graduated over 60 teams, which are now at key border points. Encouraged by the recently signed USG/GOV Maritime Cooperation Agreement, the Venezuelan Coast Guard (under the Navy) is developing its own maritime drug enforcement strategy and recently took command of a decommissioned U.S. Coast Guard cutter.

Since the Venezuelan justice system is overburdened, the GOV is reforming the basic 1984 drug law. Reforms should include provisions giving the GN Anti-Drug Division authority to process drug cases directly with the courts; providing for the confiscation of drug derived assets; streamlining the prosecutorial process of drug cases; and requiring the destruction of drugs immediately following seizure. According to year-end statistics provided by the PTJ, all 9,966 drug cases (the majority for drug possession, not trafficking) were sent to the courts.

Corruption. Corruption is an acknowledged problem in Venezuela, and the GOV has taken steps to address it. In response to public pressure and press-revealed scandals alleging drug corruption of some high-level public officials, President Perez in June ordered the adoption of new measures to thwart the corrupting influence of drugs on the public sector. He cited the arrest of the former Governor of Caracas as a signal that the government would crack down on drug-related corruption. Allegations of involvement in the drug trade of military officials have led to investigations.

Agreements and Treaties. Venezuela is a party to the 1961 UN Single Convention on Narcotic Drugs, as amended, the 1971 UN Convention on Psychotropic Substances, as well as the 1988 UN Convention. Venezuela has a Money Laundering Agreement with the U.S. and recently signed Maritime Cooperation and case-specific Asset Sharing Agreements. Negotiations with the U.S. on a Tax Information Exchange Agreement (TIEA) are scheduled to resume in early 1992.

Although money laundering is not a crime, Venezuela has instituted a requirement that all financial institutions licensed to deal in foreign exchange keep cash transaction reports (CTRs) on transactions in amounts over $10,000. Some institutions provide CTRs on transactions in amounts as low as $2,000. There is no centralized data bank for CTRs nor are there "banker negligence" regulations, although most bankers seem to abide by them.

The GOV participates in OAS money laundering control discussions. Every year since 1987, Venezuela and the U.S. have signed bilateral narcotics control agreements. In response to the growing awareness that drug control is a regional and multilateral problem, the GOV recently signed a drug cooperation accord with Colombia.

An Extradition Treaty has been in effect between Venezuela and the U.S. since 1924. Venezuelan law, however, prohibits the extradition of Venezuelan citizens. When the GOV ratified the 1988 UN Convention, it attached a reservation on this subject.

In recognition of the need to build public awareness of and support for Venezuela-USG anti-narcotics efforts, the two governments are working toward the signing of a Memorandum of Understanding on Public Awareness.

Cultivation and Production. The USG has not conducted any formal survey of the cannabis and coca growing areas of Venezuela. USG and GOV estimates of cannabis cultivation for 1991 remain about the same as for 1990, but these are relatively soft. We hope to have more accurate figures for both marijuana and coca cultivation in 1992 following another aerial survey of other possible, but unconfirmed, illicit cultivation sites. Informal aerial reconnaissance of the Sierra de Perija indicate that there are approximately 101 ha of coca and no more than 300 ha of cannabis under cultivation along the Colombian border. If further reconnaissance fails to reveal additional cannabis plantations, it will be necessary significantly to reduce the GOV's earlier estimates of approximately 1,400 ha.

Cannabis is grown in the rugged terrain of the Sierra de Perija, making manual eradication is slow and difficult. Based on experience, the USG believes that 100 ha is the maximum achievable reduction for 1992. If aerial spraying were permitted, it might be possible virtually to eliminate the crop. This issue is currently under discussion with the GOV.

Given the belief that coca cultivation is relatively small, the GOV should be able to eradicate all illicit cultivation in 1992, given adequate resources and the requisite political will.

Domestic Programs. Both the Ministry of Education and CONACUID have mandates to develop nationwide drug prevention programs. CONACUID has established drug awareness offices in several states and has been given new financial resources to focus on demand reduction and treatment. The role of the Ministry of Education is unclear. The Fundacion Jose Felix Ribas, a private sector organization for drug awareness, is developing a family-oriented national drug prevention program funded by a $600,000 grant of the UN Drug Control Program (UNDCP).

The GOV has no national drug abuse survey. A private survey carried out in 1990 by the Fundacion Libre de Drogas in 1990 reported that 12.5 percent of respondents said that they had used drugs. The major drugs of abuse in Venezuela are marijuana and basuco (an impure form of crack); cocaine HCl use appears most prevalent among the higher-income populace. Drug abuse appears to be on the rise, as evidenced by hospital admittance statistics and higher crime rates in urban areas.

IV. U.S. Policy Initiatives and Programs

USG narcotics policy in Venezuela incorporates the goals and objectives of the source and transit country strategy. It focuses on strengthening drug intelligence and its use for drug interdiction. The USG assists the GOV in building an institutional framework for more effective interdiction and eradication, however, this will take time. The USG's programs will continue to focus on encouraging the GOV to translate its intentions into substance. The USG is expanding its base of cooperation with relevant GOV agencies, particularly the PTJ, the Ministry of Defense (Army, Navy and Guardia Nacional), and DISIP. At the same time, the USG is encouraging much needed cooperation between GOV law enforcement agencies.

A corollary USG goal is to assist the GOV in improving intelligence on the movement of drugs and chemicals to permit interdiction at major storage and transit points. Tactical use of intelligence requires a greater enforcement presence at all major land, air, and maritime border points. The USG also assists the GOV in assessing the magnitude and extent of drug money laundering through Venezuelan institutions.

Finally, a strong public awareness of the dangers of drug abuse and trafficking is important to ensure continued GOV efforts to curb the drug trade. USG assistance will support GOV efforts to develop a national drug control infrastructure headed by the Minister of Interior. Collaboration with the Ministry should bring together existing expertise and resources for a unified approach toward the intelligence and interdiction programs.

The USG's strong focus on improving GOV drug interdiction this year resulted in record seizures. While some of those seizures are attributable to sound cooperation with the U.S. Drug Enforcement Administration (DEA) office in Caracas, others were made by Venezuelan agencies working independently. One example of U.S.-GOV cooperation was a successful four-month investigation which resulted in the December seizure in the U.S. of 15 mt of cocaine transshipped from Venezuela.

The recent signing of the Maritime Cooperation Agreement and the efforts of the Venezuelan Coast Guard to create a drug enforcement role for itself open the way for bilateral assistance in support of maritime drug interdiction. USG assistance also will support an increasing enforcement presence along the major land, maritime and air ports.

Two U.S.-funded UH-1H helicopters on loan to the GOV were repaired under a USG support program with the GN in Santa Barbara (Zulia state). These helicopters are now being used for eradication and drug interdiction in western Venezuela. In January 1992, a U.S. aerial reconnaissance mission mapped the areas of illicit cannabis and coca cultivation along the Colombian border region. USG assistance will be considered to build a strong GN and PTJ drug enforcement presence in Zulia state.

An IRS-sponsored, USG-funded financial investigations course was held in November for representatives of the BCV, the Superintendency of Banks, the PTJ, the GN and DISIP. This may pave the way for greater interagency collaboration, more advanced U.S. training under our Money Laundering Agreement, as well as the establishment of a centralized data bank for CTRs and bank negligence regulations.

The Road Ahead. The increased illicit drug trade places unique strains on Venezuelan institutions. The goal of U.S. policy is to assist Venezuela in moving toward a more comprehensive domestic and regional counternarcotics effort. The commitment and determination of the GOV to counter the challenge of the traffickers are essential components of any successful international effort.

Statistical Tables

TABLES for CY		1992 est.	1991		1990		1989	1988
COCA	[ha]	-	101		-		-	-
CANNABIS*								
Harvestable Cultivation	[ha]		*		1,405		1,413	3,412
Eradication	[ha]		21	****	95		87	88
Cultivation	[ha]		-		1,500		1,500	3,500
Seized in-country	[mt]		0.67		40		40	40
Seizures								
Cocaine	[mt]		8.7		3.9	**	2.6	0.5
Other Coca (Basuco)	[mt]		1.1		1.7		0.5	0.2
Marijuana	[mt]		3.67	***	40.0		16.9	40.0
Total coca			9.80		5.60		3.10	0.67
Arrests								
Nationals			2,383		476		500	603
Foreigners			525		248		188	138
Total Arrests			2,908		724		688	741

*We have no firm figures on Venezuelan cannabis cultivation. Athough in previous years, gross cultivation has been estimated at approximately 1500 ha based on Venezuelan estimates from the late 1980's, the actual figure may be considerably lower. An aerial survey conducted in January 1992 by INM pilots located no more than 300 ha which straddle the Colombian border. Until the USG is able to conduct a more formal survey, the extent of cannabis cultivation in Venezuela remains an open question.

**January-November 1990. Seizures effected by GN only; DEA has no data from PTJ.

***Includes 3 mt burned by PTJ.

****237,000 plants

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MEXICO

AND

CENTRAL AMERICA

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BELIZE

I. Summary

After four years of intensive eradication efforts, Belize is now a marginal producer of marijuana. Its growing importance as a transshipment point for South American cocaine is now the most important narcotics-related challenge confronting Belize.

Recognizing that the traffickers pose a major threat to democracy in Belize, the Government of Belize (GOB) has shown the determination to combat drugs and has supported USG-backed interdiction and eradication efforts. The GOB also has strengthened ties with neighboring countries in an effort to stem the flow of illegal drugs. Great Britain participates in combined maritime operations with the U.S. Coast Guard and Belize to interdict drugs at sea and in the air. These combined efforts resulted in more than 13 kg of cocaine and 7.89 mt of marijuana seized in 1991. In addition, more than 260 ha of marijuana were destroyed during the year.

II. Status of country

Belize is an underpopulated country with a porous border, an extensive coastline, and unlimited waterways through its cays. The country has a very small corps of law enforcement officers and virtually no radar coverage beyond a 30-mile radius of its international airport. Cocaine transshipment from Colombia increased in 1991, despite the efforts and commitment of law enforcement officials. Increased seizures, numerous crashed and/or seized aircraft, and greater availability of cocaine and crack on the local market indicate an increasing rate of transshipment. Cocaine en route to the United States moved through Belize in private boats, trucks, automobiles, and light aircraft using an estimated 140 unmonitored landing strips scattered throughout the rural areas.

Belize's extremely limited banking facilities restrict somewhat the country's money laundering potential. The passage of the Foreign Companies Act in 1990 has not been followed by any significant increase in commercial banking activity in Belize. Tourist facilities and other cash-intensive businesses do offer some opportunities to launder drug profits.

Illegal drug processing laboratories in Belize are limited to small operations in San Ignacio and Belize City, where law enforcement officials have arrested individuals processing crack cocaine.

Because of the success of the aerial eradication program supported by the USG, marijuana production has declined by an estimated 90 percent since 1987. The increasing number of arrests, the abundance of marijuana from neighboring Guatemala, and improvements in the sugar, banana, and citrus industries have also diminished cannabis production. The remaining cannabis grown in Belize is cultivated in small plots in remote areas.

Cocaine and crack use has increased since 1990, bringing about an increase in crime and violence. The increasing rate of drug use among young Belizeans was clearly demonstrated during the September "Belize Games," when 44 out of 180 winning athletes tested positive for illegal drug use. Many Belizeans have become alarmed at the increasing use of crack and are demanding steps to eliminate it. Newspapers disseminated anti-drug messages through their editorials during 1991. Coverage of the drug issue in local papers sparked debate about requiring public officials to take drug tests.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The GOB recognizes the danger illicit drugs pose to Belize, and the Prime Minister has continued to speak about the need for effective countermeasures. Under his leadership, the GOB provided full political and logistical support to bilateral narcotics control efforts and enlisted other countries in its fight against drugs. Belize also integrated its civilian and military forces in the fight against narcotics.

Accomplishments and Law Enforcement Efforts. Belize began prosecuting offenders under its strict 1990 anti-drug law and has improved its interdiction capability by combining the efforts of its defense forces and police. During 1991, they seized three aircraft involved in narcotics trafficking. To strengthen its counternarcotics efforts, the GOB also doubled its law enforcement budget.

Corruption. There are reports of senior government officials encouraging or facilitating the production or distribution of illicit narcotics, but there is little evidence to support these allegations. Some government officials are alleged to have connections to narcotics traffickers. A former Permanent Secretary in the Ministry of Home Affairs was arrested for drug trafficking after police found cocaine in his warehouse in September.

Agreements and Treaties. During 1991, Belize signed an agreement with the USG to establish a Joint Information Coordination Center (JICC) and proposed an agr[illegible] for anti-drug maritime operations involving Belize, the U.S., [illegible]eat Britain. Belize also signed an agreement with Mexico for t[illegible]ablishment of a drug rehabilitation program.

Cultivation and Production. The USG believes that Belize, with only 54 ha of marijuana harvested in 1991, is currently at the maximum achievable level of suppression of cultivation, using both aerial and manual eradication. The USG expects that approximately 4 ha/month will be found for eradication in 1992 under the bilateral narcotics control program.

Domestic Programs. With significant USG funding assistance through USAID, Belize undertook a demand reduction program aimed at implementing a national education program involving primary school education, teachers' college education, and community mobilization. The GOB's National Drug Abuse Control Council conducted its first workshop for union workers to create an awareness of drug abuse in the work place. It published numerous press releases, interviews and articles. It also constructed billboards with anti-drug messages and produced a videotape for parents and youth about drug abuse.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. Through INM and USAID, the USG drug control strategy is to support the progress Belizeans have made in developing their counternarcotics capabilities. We plan to provide specialized training in counternarcotics operations; increase the mobility of interdiction forces; encourage the exchange of narcotics information between the GOB and the USG, and between the GOB and its neighbors; continue to support demand reduction initiatives; and encourage the establishment of accurate reporting systems. The USG believes it is imperative to develop a professional prosecutorial service in Belize to increase the prosecution rate for drug cases.

Bilateral Cooperation. A USG helicopter is stationed in Belize to enhance narcotics control by transporting law enforcement personnel to suspected drug sites for the manual eradication of cannabis. In addition, Belize has requested U.S. Coast Guard assistance in restructuring its maritime law enforcement force to strengthen its capability to monitor illicit drug traffic through its waters.

Statistical Tables

TABLES for CY		*1992 est*	1991*	1990	1989	1988
Cocaine HCL						
Seized	[mt]		0.30	0.60		
Cannabis						
Harvestable Cultivation	[ha]	*51*	54	67	73	132
Eradication [a]	[ha]	*205*	266	333	363	528
Cultivation [b]	[ha]	*256*	320	400	436	660
Potential Yield [c]	[mt]	*46*	49	60	66	120
Loss Factor (5 %)		*2*	2	3	3	6
Seized in country	[mt]	*0*	8	0	0	50
Consumed in-country		*10*	10	10	10	10
Net for export	[mt]	*34*	36	47	52	54
Users (thousands)						
Marijuana		-	10,000	10,000	10,000	10,000
Total Arrests			658	-	539	524

*Data for first eleven months of 1991

[a] Assumes adequate resources to continue eradication program at present level.

[b] Figure based on actual survey results with 1991 and 1992 projected

[c] .9 mt (900 kg) per hectare

COSTA RICA

I. Summary

In a trend which shows the traffickers ready to adjust their tactics to enforcement efforts, Costa Rica is becoming a transshipment point for cocaine en route to the United States from South America. Local narcotics production remains at approximately 800 ha of cannabis cultivation. The full extent of money laundering activities is unknown, though it appears limited. Counternarcotics legislation enacted in recent years has created a sound legal foundation necessary to effectively combat narcotics trafficking. However, limited resources and the lack of professional, well-trained police forces remain serious obstacles to anti-narcotics law enforcement efforts.

II. Status of Country

Location and geography make Costa Rica attractive to traffickers seeking alternate routes to the U.S. market. Both the Pacific and Atlantic coasts are easily accessible to pleasure craft and small fishing vessels. Air traffic control is limited to the radar at San Jose's international airport with a radius of 40 miles. This allows small aircraft to land undetected at any of over 200 unmonitored airstrips throughout the country.

Although Costa Rica has a tough anti-drug policy, its law enforcement agencies cannot effectively safeguard Costa Rican territory against traffickers. The Costa Rican Coast Guard has received two decommissioned U.S. Coast Guard patrol boats, but has not yet dedicated the resources to maintain them adequately for patrolling the Atlantic and Pacific coasts.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The Government of Costa Rica (GOCR) has repeatedly stated its commitment to the war on drugs and to deny traffickers the use of Costa Rica as a safehaven. It does not have, however, a comprehensive counternarcotics plan. Each government agency with counternarcotics responsibilities sets its own priorities and goals.

In 1991, the Legislative Assembly passed a number of amendments to the 1988 National Drug Law to bring it into compliance with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The amendments authorized controlled deliveries through Costa Rica, granted protection from prosecution

to officers working undercover, and granted legal authority for the Costa Rican joint anti-drug intelligence center (CICAD) to operate. The National Drug Council (CONADRO) is actively promoting and sponsoring drug education campaigns in schools and public awareness campaigns in the media.

Accomplishments. Police continue to investigate trafficking operations vigorously. GOCR authorities seized nearly one-half metric ton of cocaine. This figure includes small loads found floating off Costa Rica's Pacific coast. An abandoned helicopter found floating near the Panamanian border was also seized. In addition, the GOCR has seized over $4 million in narcotics-related assets. It has also eradicated over three million cannabis plants.

Lazaro Abel, a U.S. fugitive charged with drug trafficking and living in Costa Rica under an alias, was arrested and deported to the United States in August. Abel was deported under a law, since repealed, which authorized the deportation of foreigners posing a threat to Costa Rica's national security.

The state-controlled banking sector enacted regulations aimed at curbing money laundering.

The Drug Awareness Reduction Education (DARE) program was introduced to schools in San Jose under the auspices of the office of First Lady Gloria Calderon with the assistance of the U.S. Information Agency. A constitutional amendment permitting court ordered wiretaps in narcotics investigations was approved by the Legislative Assembly. Wiretaps cannot be used, however, until the Assembly approves a bill regulating their use.

Law Enforcement Efforts. The Costa Rican Police continue to investigate trafficking operations and have arrested some small-time dealers. Costa Rica's counternarcotics enforcement efforts are hampered by low police salaries, insufficient training, lack of job security and limited resources. Only the Judicial Police (OIJ) is a professional police force. Efforts to professionalize the police have been delayed by a Supreme Court ruling declaring unconstitutional a bill to grant career status to the various anti-narcotics units. While the legal impediments to police professionalization are being resolved, the Ministry of Public Security is proceeding to create a new 30-person specialized anti-narcotics unit with officers who meet the minimum education and experience requirement. The unit will receive a 12-week basic enforcement course, funded by International Narcotics Matters (INM) and conducted by U.S. Drug Enforcement Administration (DEA) instructors.

Air and maritime sections of the Ministry of Public Security conduct counternarcotics patrolling operations, but are limited because of insufficient fuel supplies, poor maintenance procedures and the lack of trained personnel.

No extraditions have taken place since 1989. All extradition cases are awaiting Supreme Court action on constitutional challenges filed by extraditee Lionel Casey. There are five extradition cases pending. Four are narcotics related.

Judicial Cooperation and Prosecution of Drug Offenders - Under the 1988 and 1991 drug laws, the possession, sale and use of illicit narcotics are felonies. The laws also increase prison sentences for those convicted of these offenses. The GOCR does actively arrest and prosecute offenders. Accused traffickers and money launderers with financial means, however, are often able to delay criminal proceedings or beat charges by filing numerous appeals on technicalities. A recent example of the complexities of Costa Rica's defendent-oriented legal system is the release of convicted money launderer Ricardo Alem. Alem's sentence was overturned by the Supreme Court's Penal Chamber December 23, 1991. The Chamber ruled that Alem had been illegally convicted and sentenced because the trial judges acted in defiance of a Constitutional Chamber order suspending action on the case. The order was the result of a constitutional challenge filed by his attorneys against the drug-law money laundering provision under which Alem was being tried. The government has announced its intention to re-try Alem, since the Constitutional Chamber had upheld the constitutionality of the money laundering provision in a June ruling.

Corruption. The GOCR actively investigates and prosecutes allegations of narcotics-related corruption. The special Anti-Narcotics Committee of the Legislative Assembly also receives testimony and investigates allegations of corruption involving both government officials and private citizens. No senior government officials have been accused or convicted of narcotics corruption, although observers have raised questions about certain campaign contributions to both major parties. The government has dismissed and prosecuted low-ranking police officers who have been charged with narcotics offenses.

Agreements and Treaties. Instruments of ratification for the 1982 U.S.-Costa Rica Extradition Treaty were exchanged in Washington on October 11, bringing the treaty into force. Costa Rica has ratified the 1988 UN Vienna Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Cultivation and Production. Narcotics production in Costa Rica is limited to cannabis cultivation. It generally takes place in the Cordillera de Talamanca region on the Atlantic coast and along the sparsely populated northern border. Estimated Costa Rican marijuana production significantly exceeds domestic consumption. While the USG does not have definitive information on its export market, marijuana was seized in the U.S. on a vessel which originated in Costa Rica.

Eradication operations by the GOCR have resulted in the destruction of over three million plants. These operations have not taken place, however, in the mountainous Talamanca region, where helicopters are necessary to reach cultivation areas.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The principal USG counternarcotics goals in Costa Rica are the detection and interdiction of cocaine shipments and support for drug education and public awareness programs. Key objectives for 1992 include conducting a basic enforcement course for the Ministry of Public Security's new counter-drug unit and a training seminar on the 1982 Extradition Treaty for executive and judicial branch officials; continuing to train CICAD's staff; initiating construction of the Caribbean Basin Radar Network site; and providing assistance to the National Drug Council and private organizations for drug awareness and education programs. USIA will assist the GOCR in expanding the successful DARE program to more schools by funding travel to Costa Rica for U.S. DARE program coordinators to conduct a training course. USIA will also fund visits by two experts -- one on money laundering, the other on U.S. Customs Service anti-narcotics measures -- to meet with the local banking community, law enforcement officials, exporters and customs officials.

Bilateral Cooperation. USG-provided assistance is regulated by Letters of Agreement (LOA) signed separately with each government ministry or institution receiving USG anti-narcotics assistance.

During 1991, the USG provided the following assistance to the Ministry of Public Security's Air and Maritime Sections: Parts to repair and maintain aircraft and vessels used in counternarcotics patrolling operations; training for mechanics and patrol craft operators; and air-to-ground radios and fuel support. However, the absence of a well-organized and functioning maintenance program to keep these units operational is a serious concern. The USG also provided the Ministry's anti-narcotics unit with six vehicles for use in surveillance operations.

USG assistance to the Ministry of Health's Office of Precursor Chemicals Control included a computer for registering and tracking precursor/essential chemicals and a vehicle. The USG gave CICAD an additional scanner to increase its ability to collect information, while providing the OIJ and the Attorney General's office with office equipment necessary for their counternarcotics duties.

AID provided grant support to AIDIFAC (a local private voluntary organization) to establish a community awareness program on drug abuse. Over 800 local leaders are being trained to implement social programs on drug prevention in their respective communities.

The Road Ahead. The USG counternarcotics assistance program is directed towards helping Costa Rica establish a permanent law enforcement capability, assisting in detection, interdiction and eradication efforts, and denying the use of Costa Rica as a safehaven to narcotics traffickers and other fugitives from U.S. law. These areas will remain our primary concerns.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
CANNABIS						
Harvestable Cultivation	[ha]	*450*	475	479	150	95
Eradication	[ha]	*350*	325	321	100	155
Cultivation	[ha]	*800*	800	800	250	250
Potential Yield	[mt]	*495*	523	527	165	108
Seizures /a						
Cocaine	[mt]	*1.00*	0.82	1.14	1.78	0.12
Marijuana	[mt]	*0.10*	-	0.13	-	-
Arrests /b						
Nationals		*700*	725	788	672	1,220
Foreigners		*20*	27	22	129	92
Total Arrests		*720*	752	810	801	1,312
Domestic Consumption						
Cocaine	[mt]	*0.2*	0.2	0.2	0.2	0.2
Marijuana	[mt]	*30.0*	30.0	30.0	30.0	30.0
Users (thousands)						
Cocaine		*2*	2	2	2	2
Marijuana		*30*	30	30	30	30

(a) Cocaine seizures for 1990 include 450 kilograms seized in the United States after a controlled delivery operation through Costa Rica.

(b) The arrest figures for the years 1990 and 1991 are estimates.

*1991 statistics for marijuana and cocaine seizures are official and reliable. Statistics for cannibis cultivation are estimates based on 1990 overflights conducted by the Ministry of Public Security. Estimates for marijuana production are based on a yield ratio of 1.1 mt per hectare. Data on drug abuse was derived from a survey conducted in 1988 by the Institute on Alcoholism and Chemical Dependency (IAFA). A new survey will be conducted in 1992 with USG funding.

1/29/92

EL SALVADOR

I. SUMMARY

For many years the Government of El Salvador (GOES) did not address the illegal narcotics problem because it was fighting the Marxist insurgency. In the past two years, however, as this conflict drew to a close, President Alfredo Cristiani's administration has increased their anti-narcotics effort significantly. In 1990, the GOES formed a cabinet-level Anti-Narcotics Commission (COAN) to develop its counternarcotics policy and created an anti-narcotics enforcement agency, the Executive Anti-Narcotics Unit (UEA). In a well-coordinated operation, the UEA seized a 2.9 mt shipment of Colombian cocaine in the port of Acajutla in 1991. The GOES also enacted a tough, modern anti-narcotics law, and it encouraged and received private sector support to strengthen the civic drug prevention foundation, FUNDASALVA. FUNDASALVA promotes drug awareness programs in schools, work places, and community centers.

II. Status of country

As a geographic mid-point between the United States and major South American producers, El Salvador is currently used as a bridge to transship cocaine to the U.S. A number of drug seizures in late 1990 and 1991 confirmed that the Colombian cartels use El Salvador as a transshipment point. There are also established links between Salvadoran trafficking bands and those operating in Guatemala, Honduras, Nicaragua and Panama. Although there are no firm estimates on the amounts of cocaine transiting El Salvador, authorities believe that it has increased substantially, with as much as 25 mt passing through the country each year. Unconfirmed reports also indicate that considerable money laundering is occurring. Modest amounts of cannabis, mostly for local consumption, are produced in El Salvador. Small plots have been discovered in the departments of Chalatenango, Santa Ana, San Salvador, Ahuachapan, and La Libertad.

The GOES has an excellent record of cooperation on narcotics control with the U.S. The UEA has a close professional working relationship with the U.S. Drug Enforcement Administration (DEA) office in Guatemala. The DEA and UEA conducted a number of successful counter-drug operations that resulted in the disruption of major drug trafficking groups in El Salvador. In 1991, intelligence obtained from UEA was critical to a DEA and Honduran seizure of 50 kg of cocaine in Honduras. UEA also works closely with the U.S. Customs Service.

III. Country Actions Against Drugs in 1991

Policy Initiatives. In February, the Salvadoran National Assembly ratified a comprehensive anti-narcotics law. This imposes tough penalties for trafficking, drug-related money laundering, and the unregistered sale of precursor chemicals.

Accomplishments. In January, the GOES Attorney General established a special division to prosecute narcotics cases which regularly provides legal guidance to the UEA to enhance law enforcement efforts. The UEA established permanent offices at the Comalapa International Airport and the Acajutla port in March.

Law Enforcement Efforts. The UEA seizure of a container with 2.9 mt of cocaine in the port of Acajutla in October was one of the largest seizures ever in Central America. In August, the UEA struck the Salvadoran network of a Central American trafficking organization which used tractor trailers to move drugs to the United States, seizing 60 kg of cocaine and arresting 10 members of the gang. The same month, the UEA seized 145 kg of cocaine arriving from Guatemala and arrested 11 suspects, including an active duty Salvadoran Air Force lieutenant.

Corruption. In September, a Salvadoran Armed Force (ESAF) Honor Commission expelled an Air Force lieutenant arrested in August and his brother, an Air Force major, for drug trafficking. A total of four Salvadoran military officers had been expelled from the ESAF on drug-related charges by late November.

IV. U.S. Policy Initiatives and Programs

During the year, the State Department Bureau of International Narcotics Matters (INM) funded a U.S. Customs enforcement training program for UEA agents assigned to the new offices in Comalapa and Acajutla, provided technical assistance to the GOES Attorney General for the creation of a special anti-narcotics prosecutors task force, and arranged for the training of GOES officials that resulted in the creation of an interagency group to investigate money laundering cases.

In cooperation with the U.S. Embassy in Guatemala, the USG sponsored and funded a successful El Salvador-Guatemala narcotics officer exchange program. DEA supported the UEA's seizure of 2.9 mt of cocaine in Acajutla. The GOES has agreed to the opening of a permanent DEA office in San Salvador, and authorized the creation of a Joint Intelligence Coordination Center (JICC) in El Salvador in 1992.

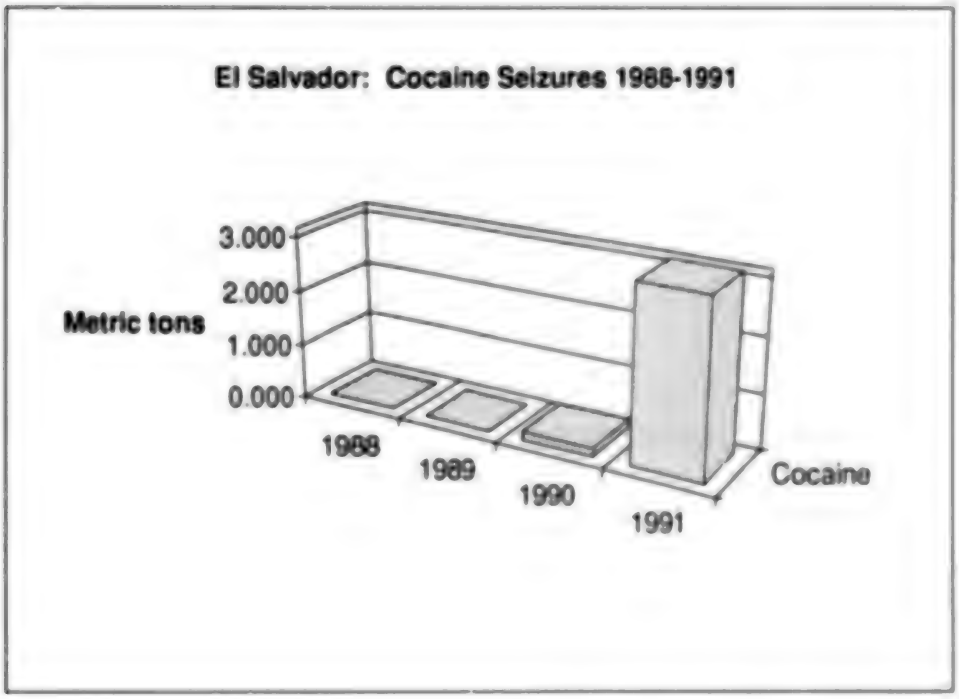
Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
CANNABIS						
Eradication	[ha]		10	10	2	-
Eradication (plants)		*50,000*	1,300	67,000	15,000	-
SEIZURES [a]						
Cocaine	[mt]	*4.000*	3.150	0.156	0.001	0.48 b
Marijuana	[mt]	*0.500*	0.065	0.065	0.025	-
ARRESTS						
Cocaine	persons	*150*	43 c	90 c	90	75
Marijuana	persons	*175*	139 c	225 c		

(a) Cocaine seizures for 1990 include 130 kilograms shipped from El Salvador and found at Miami International Airport.

(b) Cocaine seizures for 1988 include 430 kilograms discovered in an aircraft which crash-landed in El Salvador.

(c) Beginning in 1990 the Executive Anti-Narcotics Unit (UEA) established a reliable accounting system for drug arrests and seizures. The 1990 figures have been corrected fromthe 327 shown last year to the figures indicated on this chart.



2/17/92

GUATEMALA

I. Summary

Guatemala is a major transit country for cocaine. It is also an opium-producing country. The Government of Guatemala (GOG) recognizes the threat to its sovereignty and public health posed by illicit drugs. As a result, GOG cooperation with the USG is excellent. The Guatemalan President has spoken out forcefully against narcotics trafficking and has committed his government to USG-supported cocaine interdiction and opium poppy eradication efforts. Guatemalan law enforcement agencies have worked closely with the U.S. Drug Enforcement Administration (DEA) in Operation Cadence, an enhanced cocaine interdiction program combining the assets and intelligence of various USG agencies. The Guatemalan Treasury Police carry out the ongoing opium poppy eradication campaign, with support from the USG. Increasing cooperation between Guatemalan and Mexican authorities on their border offers the opportunity for more effective action against drug trafficking in that area.

In 1991, combined USG-GOG cocaine interdiction operations seized or control-delivered 15.4 mt of cocaine, while eradication operations destroyed about one-third of the 1,721 ha of opium poppy grown in remote areas of Guatemala's interior.

II. Status of Country

Combined USG-GOG interdiction operations netted 15.4 mt of cocaine transshipped through Guatemala via light aircraft, private boats, containerized shipments, trucks, and automobiles. Until recently, analysts believed that most shipments were in the range of 500-1,000 kg. A recovery of 2,500 kg of cocaine from a crashed C-46, however, indicates that occasionally traffickers ship larger loads in single shipments.

Guatemala is an ideal cocaine transshipment point. It lies halfway between the U.S. and Colombia, has no radar capability, is within the range of most aircraft on the South American drug route, and has hundreds of unmonitored airstrips.

Peasant farmers cultivate opium poppy in small patches in the San Marcos and Huehuetenango Departments of northwestern Guatemala. Difficulties in communications, logistics, and guerrilla activity complicate eradication operations in this rugged and remote part of the country. The USG-sponsored aerial eradication program destroyed about one-third of the 1,721 hectare opium poppy crop during 1991, but farmers have taken to concentrating on dispersing plots to make detection and eradication more difficult. The Guatemalan Treasury

Police were also active in manual eradication operations, eradicating 63 ha of opium poppy. Throughout the year, the USG supported Treasury Police units in the opium production region with training, logistics, air transportation, aerial reconnaissance, communications equipment, and ground vehicles.

Intelligence information indicates that traffickers now convert raw opium gum to morphine base before shipment to Mexico, where heroin is processed and packaged. There are no reports of heroin labs in Guatemala. While there have been reports of cocaine labs in Guatemala, none has been found.

Cannabis is grown in significant quantities in the lowland jungles of the Peten Department in northeastern Guatemala, near the Belizean border. Small amounts of cannabis are also grown throughout the country for domestic consumption. Aircraft of the State Department Bureau of International Narcotics Matters (INM) deployed from Belize eradicated almost half of Guatemala's cannabis crop. Treasury Police units also participated in these operations, burning down marijuana drying sheds and making several arrests.

Guatemalans working in drug and alcohol education and rehabilitation estimate that 25 percent of all adults suffer from some sort of chemical dependency, mainly alcohol abuse. However, most agree that illicit drug use has increased markedly over the last two years. USAID conducted the first survey of domestic drug consumption in mid-1990. The survey, which interviewed 1,807 Guatemalans living in the three major cities, showed relatively low levels of domestic consumption of cocaine, opiates, and marijuana. Only 1.4 percent of those interviewed acknowledged ever having used cocaine or crack; 1.7 percent admitted to ever having tried opiates; and 7.9 percent acknowledged having smoked marijuana. Although popular opinion holds that the use of inhalants, such as shoe glue, is high among the urban poor, only 3.4 percent of those interviewed reported their use.

USIS-sponsored public opinion polls show continuing concern on the part of Guatemalans about drug abuse and trafficking; respondents list it as one of the most serious problems facing their nation. In fact, 50 percent of those polled believed that drug abuse and alcoholism are the most serious problems facing Guatemalan youth, ahead of unemployment (20 percent), and poor education (10 percent). When it comes to the fight against drug abuse and trafficking, 39 percent felt that the most effective response to the problem is economic development. Other popular drug control measures included increased enforcement and interdiction (21 percent) and improvements in the courts and the legal system (14 percent).

III. Country Actions Against Drugs in 1991

Policy Initiatives. President Serrano recognizes the danger that narcotics pose to Guatemalan society and has spoken out publicly on numerous occasions about the need to adopt effective countermeasures. Under his leadership, the GOG has provided political and logistical support to bilateral narcotics control efforts. The administration has also backed attempts to enact comprehensive narcotics legislation to facilitate successful prosecution of drug traffickers in Guatemalan courts. A recent visit by the INM Assistant Secretary confirmed that both the GOG and Guatemala's Congressional leadership will press for the enactment of this legislation during the current session.

Accomplishments. Tangible accomplishments include the arrest for purposes of extradition of drug traffickers, the seizure of large quantities of cocaine, and the eradication of about one-third of the country's opium poppy and one-half of its cannabis crops.

Law Enforcement Efforts. In July, the GOG, in cooperation with the USG, launched Operation Cadence ("Central American Drug Enforcement") to increase the scope and effectiveness of combined GOG-USG cocaine interdiction efforts. Cadence involves various agencies, including the GOG Treasury Police, DEA, INM helicopters and crews, and DOD and U.S. Customs Service (USCS) aircraft. Reacting to intelligence provided by DOD and USCS aircraft or DEA human intelligence, INM helicopters transport the Cadence team to airstrips to interdict cocaine being smuggled into Guatemala. Operation Cadence actions have resulted in the seizure of large quantities of cocaine, as well as three trafficker aircraft. A Guatemalan Navy patrol boat captured a yacht and its cargo of 343 kg of cocaine off the Atlantic coast.

In September, the Treasury Police organized a manual eradication operation in the Department of San Marcos. Two of the unit's officers were sponsored by the USG to receive counternarcotics training with the Colombian National Police. Composed of 45 Treasury Police and outfitted with USG-supplied vehicles, radios, and rations, this unit eradicated 20 ha of opium poppy during its first two months of operation. Efforts to coordinate aerial and manual eradication activities continue. In December, a second manual eradication company of 30 men was formed in Huehuetenango Department.

No significant quantities of narcotics are manufactured in Guatemala; diversion of precursor chemicals for domestic processing is not a problem. Nevertheless, half of the potential precursor chemicals entering Guatemala are resold to markets in other Latin American countries. Guatemalan Treasury Police chemical control units monitor precursor chemical shipments at border checkpoints and report statistics to the Treasury Police national headquarters. The Ministry of Finance audits chemical companies on a routine basis to discourage suspect chemical purchases or sales.

There are presently six extradition requests pending against Guatemalan drug traffickers. Three of the accused remain in custody, two were arrested and later released (the order of release is under appeal), and one remains at large. After five years of legal maneuvering and delay by Rufino Arriaza, the Government of Guatemala succeeded in extraditing him to the United States on drug trafficking charges in December 1990. He was convicted and received a 30-year sentence.

Despite Guatemala's prompt arrest of Arnoldo Vargas, the former mayor of Zacapa, and his two associates nearly a year ago, the status of Vargas' extradition case remains unclear. It has been delayed by the repeated refusals of assigned judges (reportedly after death threats) and appeals of procedural matters. Further defense motions could prolong this case for many months. Narcotics traffickers have attempted to intimidate and suborn judges to obtain favorable decisions.

Carlos Ochoa Ruiz, a former army lieutenent colonel cashiered because of his alleged narcotics trafficking activities and whose extradition was requested by the USG in January 1991, remains at large.

A Guatemalan court, responding to letters rogatory from the USG, froze bank accounts of accused drug trafficker Carlos Orantes-Arriaga. Unfortunately, the accounts held only nominal sums.

Corruption. The U.S. Embassy knows of no senior officials of the current government who engage in, encourage, or facilitate the production or distribution of illicit narcotics. The Serrano Administration has taken a strong stance against public corruption, has dismissed over 1,000 policemen suspected of corruption or misconduct, and has prosecuted officials of the prior government for corruption.

Agreements and Treaties. During state visits to Colombia and Venezuela in August, President Serrano signed agreements with both countries regarding the prevention, control, prosecution, and repression of narcotics. The agreements reaffirm commitments under various international narcotics treaties. They also provide for the establishment of bilateral commissions tasked with controlling media dissemination of materials promoting drug use; adopting measures to prevent the organization and financing of narcotics trafficking activities; and establishing communications links to track ships and planes transporting narcotics. The two nations also agreed to train government personnel and to exchange experts and confidential information on narcotics issues. In early December, a team of Colombian National Police met with their Guatemalan Government counterparts to review Guatemalan aerial eradication and interdiction efforts.

Guatemala is a party to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, the 1971 UN Convention on Psychotropic Substances, and the 1988 U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Cultivation and Production. Peasant farmers cultivate opium poppy in the rugged mountains of northwestern Guatemala. Most fields are small (approximately 0.17 ha), but represent a significant portion of the landholdings of the average farmer in the area. Opium poppy is not a traditional crop, being cultivated in Guatemala in significant quantities only since 1988. The poppy-growing region of Guatemala is still fairly densely cultivated with traditional crops of corn, beans, potatoes, lettuce, and squash. Gross hectarage at the beginning of 1991 was 10 percent less than gross hectarage at the same time in 1990.

The success of Mexican efforts to eliminate opium poppy cultivation, however, stimulated growers in Guatemala to increase production. Thanks to an active eradication program by the Guatemalan government, however, hectarage, which could have doubled, increased only 35 percent. Indications in the later part of the year, though, suggest that increased enforcement efforts by the Government persuaded many farmers not to plant the fall opium crop. Eradication efforts found few new fields.

Two factors account for this decrease. First, the State Department supported an intensive aerial eradication program from October 1990 through February 1991 that destroyed about 800 ha. Second, the Guatemalan Treasury Police conducted ongoing manual eradication operations in the heart of the opium poppy growing region. Faced with the increasing economic risk of having their opium fields destroyed and the threat of arrest by Guatemalan ground forces, many opium poppy farmers appear to have returned to traditional cultivation.

Domestic Programs. The Guatemalan National Council for the Prevention of Alcoholism and Drug Addiction (CONAPED) is a national umbrella organization of public agencies and private sector organizations dedicated to substance abuse education and prevention programs. In the past 12 months, CONAPED has become increasingly active in supporting public awareness campaigns, seminars, and workshops.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. Many of Guatemala's current counternarcotics programs began as U.S. policy initiatives. All drug control programs -- Operation Cadence, aerial and manual eradication -- rely upon USG technical assistance and funding. Their success, however, is largely the result of the GOG's political commitment and cooperation. Other USG

initiatives include various efforts to heighten public awareness of the drug problem. In late 1991, for example, USAID and CONAPED sponsored two drug abuse and awareness workshops, each of which was attended by some 40 participants from more than 20 public and private Guatemalan organizations. Workshop participants discussed plans for coordinating anti-narcotics programs and efforts to persuade the Guatemalan Government to recognize alcoholism and drug addiction as illnesses.

In August, CONAPED, INM, and USIS sponsored a narcotics legislation workshop which was attended by some 40 participants from the public and private sectors. In October, CONAPED -- with technical and financial assistance from USIS and INM -- placed full-page ads in all local newspapers publicizing the need for new narcotics laws, drug education programs and treatment facilities. More ads are contemplated in the future as well as billboards and a direct mail campaign on the same theme. USIS has used its media contacts and exchange programs to keep the Guatemalan public opinion focused on the narcotics threat. Newspaper, radio and television coverage of the drug issue has increased significantly. USIS translated the Guatemalan section of INM's 1990 International Narcotics Control Strategy Report and other USG documents that explain our policies and programs, ensuring much wider dissemination. USIS has also kept the local and international press current on the U.S. Mission's anti-narcotics efforts. USIS has provided media expertise and logistical support (printing, loans of equipment, small grants for clerical support, etc.) to CONAPED and other Guatemalan organizations active in drug awareness and education.

Bilateral Cooperation. In February, the Guatemalan Court of Constitutionality recognized the right of U.S. consular officers to represent U.S. interests directly in extradition cases. This ruling had the very desirable effect of shortening judicial delays and allowing direct action by the U.S. Embassy, instead of relying on the GOG's Attorney General to represent our interests. Unfortunately, the Supreme Court ruled in October 1991 that the Embassy cannot be a party to interlocutory appeals (the preferred defense delaying tactic), thus taking away much of the effectiveness of what the Court of Constitutionality had granted in February. The Embassy has appealed the Supreme Court's ruling to the Court of Constitutionality.

Although efforts to pass narcotics control legislation have been unsuccessful to date, the Serrano Administration has recently prepared a new draft law it intends to submit to Congress in 1992.

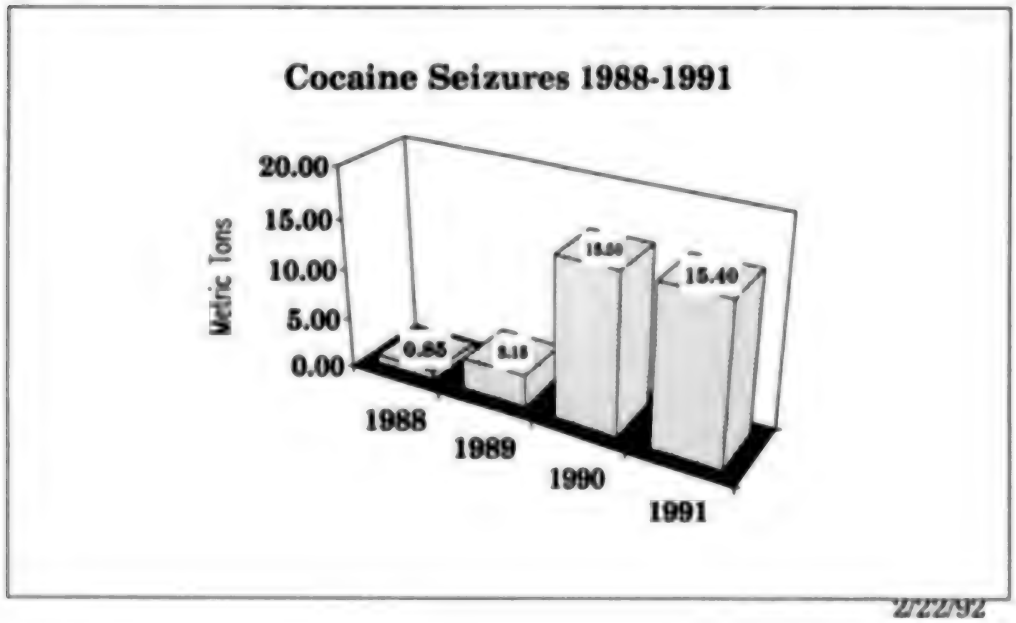
In September, the U.S. Coast Guard conducted two weeks of INM-funded maritime law enforcement training with both the Atlantic and Pacific naval bases. U.S. Navy and Marines and Guatemalan naval forces conducted exercise "King's Guard 92-I" in October. This exercise focused on coastal and riverine counter-drug operations on Guatemala's Atlantic coast.

The Road Ahead. In 1992 and beyond, we expect to see increasing GOG participation in narcotics control efforts. The Treasury Police have already taken the lead in establishing a Department of Anti-narcotics Operations and a number of investigative, crop eradication, and interdiction units. The expansion of these units and the creation of additional units is planned for 1992. With the increased participation of Treasury Police ground eradication units, we anticipate a maximum achievable reduction of 1,000 ha during 1992. Assuming no major undetected expansion in cultivation, combined USG-GOG air and ground eradication operations should be able to eradicate all but about 100 ha of the anticipated 1992 opium poppy crop. Similarly, combined USG-GOG operations should be able to eradicate more than 80 percent of the anticipated 120-hectare cannabis crop in 1992. INM and the Government of Mexico will provide joint training for Guatemala in school-based drug prevention programs.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]	100	1,145	845	1,220	710
Eradication	[ha]	1,000	576	1,085	275	100
Cultivation	[ha]	1,100	1,721	1,930 a	1,495	810
Theoretical Potential Yield	[mt]	1.5	17.2 b	12.7 b	12.3 c	7.1
CANNABIS						
Harvestable Cultivation	[ha]	20	55	92	450	200
Eradication	[ha]	100	66	35	150	125
Cultivation	[ha]	120	121	127	600	325
Potential Yield	[mt]	20	55	92	450	200
Seizures						
Cocaine	[mt]	17	15.40	15.50	3.15	0.85
Marijuana	[mt]	10	7	6.80	0.04	0.00
Laboratories Destroyed						
Morphine Base			-	1	1	0

[a] Includes opium cultivated in previously undetected areas.
[b] The 1991 and 1990 estimates were based on a yield of 15 kilograms of opium gum per hectare. Yields for previous years were based on yields of 10 kilograms of opium gum per hectare. The revision was made on the basis of better data.
[c] Correction to 1989 crop production estimate figure shown in the 1990 INCSR.



HONDURAS

I. Summary

Honduras is not a significant producer of illicit narcotics. There is no evidence of coca or opium poppy cultivation, and most cannabis cultivation appears to be limited to small, scattered plots. Most of the marijuana produced is believed to be for domestic consumption; no illegal drug processing facilities have been detected. Honduran territory is used to transship cocaine and precursor or essential chemicals.

During 1991, the USG signed letters of agreement (LOA) with the Government of Honduras (GOH) to support the establishment of a National Drug Task Force and a Joint Information Coordination Center (JICC). The USG also signed an agreement with the GOH which permits the deployment of USG detection and monitoring aircraft to Soto Cano Airbase, and negotiations are underway with the Hondurans to link their radar at Cerro La Mole (near Tegucigalpa) into the rest of the Caribbean Basin Radar Network (CBRN). Honduran officials continue to cooperate closely with U.S. law enforcement officials. Reported seizures of cocaine increased from 254 kg in 1990 to 491 kg in 1991.

II. Status of Country

Cocaine being shipped to the United States and, to a lesser degree, to Europe from Colombia continues to transit Honduras. Honduras lies midway along the route from South to North America. It has a long, virtually unguarded Caribbean coastline and poorly policed offshore islands with a history of contraband smuggling and piracy. Also, there are vast open land areas. Transfers of illicit narcotics between small aircraft and boats can easily occur undetected. Loads can be consolidated for onward shipment overland, or by ship or plane. There is no reliable estimate available for the amount of cocaine that transits Honduras, but quantities intercepted outside the country, which apparently passed through it, suggest it may be significant.

In 1991, Honduran authorities broke up a trafficking group consisting of Guatemalans, Hondurans, and Colombians operating in Honduras that reportedly shipped 5 mt of cocaine to the U.S. in the previous three years.

III. Country Actions Against Drugs in 1991

The GOH established a National Drug Task Force, which the USG supports with financial and technical assistance. In a separate

action, the USG signed an LOA with the National Drug Council for the establishment of a JICC, to be placed in the Task Force to provide intelligence for law enforcement operations. In cooperation with the U.S. Navy, the Honduran Navy is developing a system to track ship movements; this effort will be incorporated into the JICC. The GOH is currently organizing its Task Force and has selected a location for it and the JICC, which the U.S. Embassy expects to be fully operational by the middle of 1992.

Policy Initiatives and Accomplishments. In February, the U.S. Embassy signed an agreement with the GOH which permits U.S. detection and monitoring aircraft to operate from Soto Cano Airbase. Periodic basing of aircraft at Soto Cano enabled U.S. aircraft, in one instance, to follow a trafficker aircraft and make an important seizure. A U.S. Customs aircraft (P-3) made a public visit to Soto Cano to demonstrate U.S.-Honduran cooperation in drug control and to conduct joint counternarcotics exercises.

In May, the Embassy and the GOH agreed to the establishment of an analysis group at Soto Cano Air Base to facilitate USG support for U.S. Embassies in the region.

In September 1991, the U.S. and Honduras inaugurated the radar site at Trujillo on the Caribbean coast. The U.S. is presently negotiating a Memorandum of Understanding (MOU) to integrate the Honduran radar at Cerro la Mole into the Caribbean Basin Radar Network (CBRN).

In July, the Honduran Congress ratified a Tax Information Exchange Agreement (TIEA) with the U.S. This agreement will enable both governments to request tax-related information as part of ongoing investigations of individuals or firms and may uncover money laundering activities. At the request of the GOH, negotiations on a bilateral Customs Agreement should begin soon. Such an agreement will contribute to detecting illegal drug labs and chemical shipments.

The Armed Forces, the National Port Authority, and several business enterprises collaborated to fund the construction of a dog kennel and offices for handlers at Puerto Cortes, Central America's largest container port.

The GOH established a Commission on Narcotics. The Commission, under the auspices of the Attorney General, will provide prosecutors for drug cases and will accompany police units on drug operations. The USG is assisting the Honduran justice system train prosecutors and public defenders. This will support the recently formed GOH Commission Against Narco-trafficking in the Attorney General's Office.

Law Enforcement Efforts. During a one-week period in mid-September, the GOH seized over 300 kg of cocaine. Two of the seizures uncovered a sophisticated Panamanian trafficking net that imported cars from the U.S. for modification in Panama and return shipment through Central America.

The GOH has cooperated closely with the USG to control illicit narcotics. The Honduran customs works closely with the DEA on investigations of diversion of precursor chemicals, and will participate in the National Drug Task Force. The USG is engaged in discussions with the GOH on how its legal code might be strengthened to fight narcotics.

Corruption. In September, two army lieutenants were indicted for the possession of several kilos of cocaine.

Domestic Programs. The Honduran Institute for the Prevention of Alcoholism and Drug Addiction (IHADFA) is the primary organization addressing demand reduction and is a member of the National Drug Council. PRIDE Inc. (affiliated with the U.S. organization) is also active and works primarily with school children. The U.S. Embassy is planning two projects with IHADFA (one of which will use TV and radio spots for drug education), and recently donated a vehicle to PRIDE to carry its video equipment to the schools.

Reports indicate that traffickers are deliberately lowering the price of cocaine -- as low as $1 per gram -- to create a larger, local market. The results of a USG-supported epidemiological study on drug use were released earlier this year; a second study was just completed in December. The first report indicated that 28 percent of the "street children" in Tegucigalpa, ages 8-18, admit to drug abuse, mainly marijuana and inhalants. While it has been assumed by most Hondurans that the country did not have a serious consumption problem, several observers have noted consumption problems among the middle and upper classes.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The following programs were U.S. initiatives:

-- Assistance in developing the concept of a National Drug Task Force,

-- The establishment of the JICC,

-- CBRN-Trujillo/Cerro la Mole radar link,

-- The use of Soto Cano for detection and monitoring surveillance flights, and

-- The TIEA.

The Road Ahead. In the year ahead the USG expects to see the functioning of the National Drug Task Force and the JICC, as well as an increasing number of counternarcotics operations, especially on the north coast and the Bay Islands. Funds provided by the Department of State's Bureau of International Narcotics Matters (INM) will be directed at improving the mobility of the Honduran anti-drug police forces. INM and the Government of Mexico will conduct joint training in the area of school-based prevention. The U.S. Embassy also expects to see an increasing number of seizures in Honduras' main cities and along the borders as the mobile dog teams are put into action more often. The combination of better police investigative work, the coordination and assets provided by the Task Force and the JICC, and technical surveillance should increase the effectiveness of GOH counternarcotics efforts.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989	1988
Seizures						
Cocaine	[mt]		0.491	0.254	0.041	0.607
Marijuana	[mt]		0.113	4.645	1.020	0.101
Arrests						
Nationals			18	81	1,737	1,704
Foreigners			13	0	18	45
Total Arrests			31	81	1,755	1,749

Figures for arrests and seizures come from the Honduran Police Anti-Narcotics Unit. The statistics are neither comprehensive nor reliable. There are no statistics available in the Government of Honduras for other categories. Consumption figures are unavailable. 2/17/92

MEXICO

I. Summary

Mexico plays a critical role in controlling the flow of illicit drugs into the United States. For decades, Mexico has been a major producer of opium poppy and cannabis and has more recently become a key transshipment point for hundreds of metric tons of cocaine coming to the U.S. illicit drug market.

The Government of Mexico (GOM) took strong measures in 1991 to disrupt both domestic cultivation of illicit drug crops and air trafficker operations. The GOM's intensified eradication effort in 1991 led to record reductions in both opium and marijuana production. GOM interdiction efforts forced some traffickers to change their routes, forcing them to land in Central America or southern Mexico or to shift to maritime smuggling. The U.S. and Mexican governments continued to work closely in combatting this shared threat.

II. Status of Country

Mexico has been a major cultivator of opium poppy and cannabis for U.S. markets for many decades. In the late 1980s or early 1990s, Mexico also became the key transshipment point for cocaine being sent to the U.S. illicit drug market. The USG estimates that 63 percent of the foreign-produced marijuana and 23 percent of the heroin consumed in the United States is of Mexican origin. We also estimate that over 50 percent of the cocaine entering the United States is transshipped through Mexico. Private planes carry the bulk of this cocaine from Colombia into Mexico, violating Mexican airspace. It is then smuggled overland to the U.S. Intensified GOM interdiction efforts are forcing some traffickers to shift their flight patterns or to switch to maritime smuggling methods.

Despite enhanced eradication and interdiction, Mexico still faces tremendous challenges: continued U.S. demand for illicit narcotics; a porous 1,933-mile border with the U.S.; limited economic options for peasant farmers; efforts by traffickers to corrupt government officials; and strong ties between South American and Mexican drug traffickers. Mexico's ability to respond to changes in trafficker tactics and to establish closer law enforcement cooperation with its neighbors will determine its future as a transshipment point for drugs.

III. Country Actions Against Drugs in 1991

Policy Initiatives. In May, Ignacio Morales Lechuga, the reform-minded Attorney General for the Federal District replaced Dr. Enrique

Alvarez del Castillo as Attorney General of Mexico. Morales has stated that Mexico requires new legislation to combat drug trafficking and consumption if the country is to avoid becoming a consumer market for narcotics. This new legislation is to include provisions to criminalize drug-related financial crimes.

Morales is restructuring the Attorney General's Office (PGR) to curb corruption and other abuses of official authority, to improve respect for human and civil rights, and to enhance efficiency. In July, he named a special prosecutor to head a new PGR department dealing exclusively with crime and corruption among federal and state officials. In September, he opened a PGR office in San Antonio, Texas, to promote closer liaison with U.S. law enforcement agencies. The PGR also opened a similar office in Guatemala in fall 1991 to strengthen coordination with that country.

Accomplishments. The GOM continued to intensify its interdiction and eradication programs, resulting in increased drug seizures and illicit crop destruction.

The PGR's highly effective air interdiction program, known as the Northern Border Response Force (NBRF) or Operation Halcon, continued to make impressive headway against South American cocaine smugglers. NBRF operations in 1991 resulted in the seizure of 18 mt of cocaine and 23 airplanes, and arrest of 16 suspected traffickers.

The GOM reportedly seized a total of 50.2 mt of cocaine, 146 kg of heroin, 95 kg of opium gum, 255 mt of marijuana, 2.9 mt of marijuana seeds, 439 kg of opium poppy seeds, 2,310 land vehicles, 40 aircraft, 8 boats, 4,043 firearms, and 32,809 rounds of ammunition. The GOM continued to put pressure on domestic producers of illicit drugs. The GOM reported destroying 9,342 ha (123,196 fields) of opium poppy and 12,702 ha (160,002 fields) of cannabis. The USG has adjusted these figures to reflect effective eradication of actual crops. The adjusted figure for opium poppy eradicated is 6,545 ha and 10,795 ha for cannabis. Mexican officials dismantled six clandestine laboratories and prosecuted 8,621 Mexicans and 141 foreigners on drug-related charges; several of those arrested were Class I traffickers, including the "untouchable" Juan N. Guerra, an important Mexican trafficker.

These impressive figures represent something more than a quantitative record. They demonstrate the commitment of the Salinas Administration to undertake sustained action against foreign and domestic traffickers who violate Mexican sovereignty and threaten its stability. This resoluteness also extends to cooperative efforts with the USG.

In September, the USG and GOM signed four bilateral cooperative anti-drug project agreements. The agreements provided for cooperation in eradication verification, aerial surveys, establishment of the GOM counternarcotics information center, and mobile housing units for the NBRF.

Law Enforcement Efforts. Since taking office in 1988, President Carlos Salinas de Gortari has steadily intensified his nation's fight against drug trafficking. He reinvigorated Mexico's decades-old national campaign against opium poppy and cannabis cultivation and established an air interdiction program to stem the surge of air smuggling of cocaine via Mexico to the United States.

In addition to its dynamic interdiction and revitalized eradication programs, the GOM is addressing the range of drug-related issues: money laundering, precursor and essential chemical control, arms smuggling, prevention and treatment, corruption, and abuses of authority. The PGR is responsible for coordinating all GOM anti-drug efforts and has the lead in interdiction.

Northern Border Response Force

The NBRF completed its first full year of operation with solid accomplishments. Overall, the NBRF continued to make headway in disrupting South American cocaine smuggling.

The NBRF teams continued to gain experience, increase training levels, and improve investigative skills. Communication between the various participating entities improved. The USG assisted by providing specialized training for PGR pilots and radar operators. Furthermore, the GOM's purchase of two Citation II tracker aircraft equipped with advanced sensor systems greatly enhanced the program; these aircraft follow suspect traffickers entering Mexican airspace and direct NBRF teams to clandestine landing sites. The USG leased nine UH-1H transport helicopters to the PGR to further enhance the NBRF teams' mobility. The combination of air assets and ground reaction elements has improved Mexico's ability to interdict cocaine shipments, and has forced a change in trafficking patterns.

The NBRF also relayed information to other law enforcement entities which resulted in multi-ton seizures of cocaine, to include substantial seizures in El Salvador and Guatemala. Unfortunately, the NBRF program was suspended briefly in late 1991 when a Mexican Army unit killed seven NBRF members. After a period of evaluation and an independent investigation by the National Human Rights Commission, the NBRF is now fully operational.

Aviation Issues

By April, construction of the new PGR aviation maintenance facility in Guadalajara (for which the USG provided building materials) was largely completed; the first PGR aircraft began undergoing maintenance there in July. In 1991, seventeen PGR pilots and technical personnel attended a total of ten USG-funded training courses at the Interamerican Air Forces Academy, Homestead Air Force Base, Florida, as part of PGR efforts to enhance aviation maintenance and pilot skills.

The USG also provided technical advice to the PGR on how to operate and support portable forward base facilities to improve the effectiveness of aerial eradication operations. In August, the PGR signed the USG-financed Bell Helicopter Services Inc. (BHSI) aviation maintenance renewal contract for $21.9 million.

Military Roles in the Anti-Drug Effort

Both the Mexican Army and Navy have extensive anti-drug programs. The Army conducts both regional and nationwide eradication operations targeting major opium poppy and cannabis growing areas. The Mexican Navy cooperates with the USG against suspected traffickers in Mexican territorial waters.

The Mexican Army has traditionally supported the national eradication campaign through manual eradication of drug crops and destruction of clandestine landing strips. In addition, the Air Force (part of the Army) has been given an important role in the operation of the new tactical reconnaissance aerial project. With the activation of its new southern-based radar system in December, the military has begun to play a greater role in detecting suspect aircraft.

The Navy is responsible for maritime interdiction and eradication of illicit crops in coastal areas. The Mexican Navy has increased its cooperation with the U.S. Coast Guard and other USG agencies to counter the rise in maritime trafficking in the region. Two large maritime seizures in 1991 (totalling over 6 mt of cocaine and 5 mt of marijuana) have increased concern about the level of maritime smuggling.

Money Laundering

While Mexico is not considered by the USG to be a key money laundering center, its large, growing economy makes it a tempting location to launder or invest drug proceeds. The GOM is attempting to enact more stringent regulations on money laundering, but the profusion of unregulated currency exchange houses along the U.S./Mexico border facilitate the movement of large amounts of drug proceeds.

Money laundering is still a financial violation in Mexico, rather than a criminal violation. Mexican banks are not required to maintain records of large transactions. There are no controls on the amount of money that can be brought into or transferred out of the country and no limit on, or reporting of, currency transactions in money exchange houses. Foreign loans, however, must be registered with the Finance Ministry. The GOM plans to present a legislative package to the Mexican Assembly in early 1992 to criminalize money laundering and subject offenders to criminal penalties and asset forfeiture. The proposed legislation also includes currency transaction reporting requirements similar to those in the U.S.

In recent months, the USG and GOM officials worked together on a major money laundering investigation aimed at U.S. and Mexican violators. The U.S. Customs Service held a money laundering control seminar at the Mexican Foreign Secretariat (SRE) in November for approximately 70 Treasury and PGR officials. The PGR expressed interest in participating in money laundering investigations with the FBI and requested additional training assistance. The PGR also proposed placing Mexican Federal Judicial Police (MFJP) personnel in select FBI field offices to facilitate the exchange of information in criminal investigations.

The GOM continued to seize property in narcotics cases during FY 1991, including approximately $90 million in assets from investigations assisted by the U.S. Drug Enforcement Administration (DEA). Mexican law now permits the use of forfeited assets by law enforcement agencies, as in the U.S.

Precursor and Essential Chemicals

Mexico has a large chemical industry. Most precursor chemicals for heroin conversion laboratories can be purchased in small amounts within Mexico; chemicals from the U.S. and elsewhere destined for cocaine conversion laboratories in South America also transit the country. As a member of the Inter-American Drug Abuse Control Commission (CICAD) and the International Drug Enforcement Conference (IDEC), the GOM has committed itself to adopt legislation to govern the control, record keeping, and reporting requirements on precursor chemicals.

U.S./Mexican Law Enforcement Cooperation

The USG has a cooperative and productive relationship with GOM law enforcement counterparts in handling drug and other criminal cases of mutual interest, including the sharing of intelligence on the activities of narcotics trafficking groups. Mexico and the United States also cooperate closely in the extradition of fugitives, pursuant to the bilateral Extradition Treaty. Mexico does not, however, extradite Mexican nationals. MFJP agents cooperated with USG law enforcement agencies in bilateral investigations of drug traffickers operating in Mexico and the United States. USG law enforcement training programs for GOM personnel in 1991 focused on air, land, and sea interdiction and investigative techniques in money laundering cases.

Corruption. President Salinas, has made it clear on numerous occasions that narcotics-related corruption and other abuses of official authority are a serious Mexican problem that need to be overcome. He has declared a strong campaign against official corruption of all kinds and has been tough on officials accused of facilitating narcotics trafficking. Bringing narcotics-related corruption under control is essential for Mexico to be able to significantly affect trafficking organizations and operations.

Under Salinas' reform campaign, hundreds of MFJP and military personnel have lost their positions, and others have been prosecuted for drug smuggling or for protecting drug traffickers. In 1991, the GOM fired 3,000 Customs officers because of extensive abuse of authority. The PGR is attempting to eliminate corruption and abuse of authority by placing all MFJP activity under the direction of federal prosecutors. Both military services have taken aggressive measures against corruption, instituting drug testing in many units, and restricting soldiers to one tour in the counter-drug campaign; personnel in sensitive positions undergo polygraph examinations. Military commanders rotate periodically and are not permitted to head units in their home districts.

In the case of the November 7 shooting incident in Veracruz between the Army and MFJP agents that left seven NBRF/MFJP agents dead, President Salinas asked for a full investigation of the incident by the independent and respected Mexican National Human Rights Commission (CNDH). The CNDH report of December 6 accused General Moran Acevedo, Commander of the Military Zone, and other high-ranking military officers of breaking civil and military laws and recommended that the Army investigate the incident further. Immediately following the report, the Army suspended the General and the other officers involved in the incident. They have subsequently been charged with violations of military and civil code and will stand trial in a military court.

Agreements and Treaties. The Mutual Legal Assistance Treaty (MLAT) entered into force on May 3. The USG/GOM Cooperation in Combatting Narcotics Trafficking and Drug Dependency Agreement (the "Chiles Amendment") is also now in force.

Mexico has bilateral narcotics cooperation accords with Australia, Belize, Bolivia, Canada, Colombia, Costa Rica, Cuba, Germany, Guatemala, Honduras, Italy, Peru, the former Soviet Union, Spain, the UK, the U.S., and Venezuela. Agreements are being negotiated with El Salvador and Nicaragua. Mexico is a party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Cultivation and Production. Farmers continue to cultivate the majority of opium poppy and cannabis in Mexico, in part because of low prices for licit crops and adverse economic conditions. Their product, grown mostly on national lands, is collected and smuggled into the U.S. by well-organized trafficking groups who have functioned successfully for decades. There is no evidence of coca cultivation or significant hashish processing in Mexico.

Illicit crop cultivation is found throughout the western side of the Sierra Madre range, with the southwestern states now producing more than the traditional tri-state area of Chihuahua, Durango, and Sinaloa. Although yields are higher in the southwest than in the drier northwest region, recent heavy rainfall in the north could increase yields there in early 1992.

Opium poppy cultivation remained at about the same level as in 1990 (10,310 ha in 1991 versus 10,100 ha in 1990), but eradication increased by 41 percent (from 4,650 ha in 1990 to 6,545 ha in 1991); therefore, Mexico succeeded in reducing potential heroin production from 6.2 mt in 1990 to 4.1 mt in 1991 -- a 34 percent reduction. The GOM's impact on marijuana is even more impressive. Not only was cannabis cultivation reduced by nearly a third over 1990 (down from 41,800 ha in 1990 to 28,710 ha in 1991), but eradication increased by 60 percent (from 6,750 ha in 1990 to 10,795 ha in 1991); together, this reduced potential production of dried/usable marijuana from 19,715 mt in 1990 to 7,775 mt in 1991 (a record 61 percent reduction).

Longstanding GOM policy has been to eliminate illicit crops wherever found. In the past, the GOM neither made crop estimates nor set annual drug eradication targets. The PGR is implementing an aerial survey program which will enable it to produce its own annual national illicit crop production estimates in the future. The GOM also has announced that aerial photo reconnaissance would be done by the Mexican Air Force (MAF), supporting both the Army and PGR eradication programs. In July, the GOM formally approved continued USG technical assistance for eradication verification.

Under the Salinas Administration, PGR leadership has used its air assets to support drug interdiction and other anti-drug law enforcement activities while still maintaining a strong commitment to the eradication program.

In 1991, the GOM increased opium poppy eradication by 41 percent and cannabis eradication by 60 percent over 1990 levels, due in large part to a strategy of striking fields closer to maturation, rather than making repeated strikes on seedbeds. The Mexican national drug strategy for 1992 outlines a new strategy toward eradication which should further increase eradication efficiency. Together with new helicopter purchases by the PGR in 1991 and planned USG technology transfers in 1992, the USG estimates that the GOM will be able to increase eradication by 20 percent in 1992.

Domestic Programs. Drug use in Mexico remains low, although the GOM recently recognized that cocaine and heroin abuse is on the rise along the U.S./Mexico border and in some tourist resort areas. Attorney General Morales called for compulsory drug education in schools, an extensive publicity campaign on preventive measures, and a program for assisting drug addicts in hospitals. USAID is assisting the GOM in these activities. In the Attorney General's view, Mexico is vulnerable to the spread of drug addiction because of increased disposable income, new development patterns, and a decline in traditional family relationships.

Mexico has a growing number of governmental, voluntary and community organizations involved in drug prevention research, treatment, and educational programs, although many operate with minimal resources. Prevention programs draw upon the 1988 Convention demand reduction objectives and focus on education, training and the mobilization of communities. Mexico conducted public campaigns on drug prevention in the media, especially on television and radio, and ran a successful poster anti-drug campaign. The GOM announced plans for a new survey of drug use targeted at known high drug use areas; the USG has extended technical and financial support for the study. Mexico also seeks to strengthen ties on the U.S./Mexican border by linking U.S. and Mexican counterparts in epidemiology, drug prevention and treatment.

President Salinas created the National Council on Addictions in February to coordinate all GOM national and international demand reduction activities. The General Coordinator, Dr. Guido Belsasso, seeks to increase Mexican efforts to reduce domestic drug consumption as well as to develop Mexico's role as a hemispheric leader in this field. Mexico has signed bilateral demand reduction agreements with other countries, met extensively with drug control officials from the U.S. and elsewhere, and created an information network and center. Through the OAS, Mexico will connect other Latin American countries to share information on drug prevention research and treatment programs.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG seeks to substantially reduce the flow of illicit drugs from Mexico into the U.S. by building close counternarcotics cooperation with the GOM and by assisting the GOM to enhance its narcotics control programs. Specifically, USG policy supports the following GOM efforts:

-- Reduce/eliminate illicit narcotics production through eradication and build an aerial survey capability and verification program to report on eradication results;

-- Reduce narcotics trafficking from Mexico to the U.S. by intensifying interdiction operations, increasing seizures, and disrupting major trafficking organizations;

-- Build an effective and efficient field support infrastructure to support both eradication and interdiction activities; and

-- Create a greater public awareness in Mexico of the negative effects of drug production and abuse on the health, society, economy, and political welfare of the nation.

Bilateral Cooperation. USG agencies worked closely with the PGR in numerous investigations and programs. NBRF/Halcon seizures underscore the success of cooperation enjoyed between the USG and GOM in 1990 and 1991. Mexican officials received and briefed dozens

of USG executive and legislative delegations, including Office of National Drug Control Policy (ONDCP) Director Robert Martinez who led a Presidential mission to Mexico in May to discuss drug issues.

The Mexican Navy conducted coincidental anti-narcotics operations with the U.S. Coast Guard (USCG) off both coasts, taking the lead on planning and executing the operations and providing operational shipriders/aircraft observers on USCG vessels for the first time in October. The USG transferred two decommissioned USCG 82-foot patrol craft, the Point Verde and the Point Herron, to the Mexican Navy in July for use in combatting maritime drug trafficking.

USAID funding supported demand reduction activities in northern border communities, in certain resort areas, and in Mexico City in 1991. Virtually all USAID-funded projects are implemented by private sector, community-based organizations. New programs are planned for the Matamoros and Mexicali areas in 1992.

USIS sponsored the May visit of the Mayo Group of distinguished California judges and attorneys. The Mayo Group visitors conducted an unprecedented series of mock trials, including the case of an accused drug trafficker, to demonstrate aspects of the U.S. legal system to some 300 members of the Mexican legal community.

Secretary Baker led a delegation of U.S. Cabinet members and agency heads to the annual USG/GOM Bi-national Commission (BNC) meeting in Mexico City in September. Agreements were reached to strengthen bilateral cooperation in combatting drug trafficking with an increased effort to tackle money laundering as well as the spread of drug trafficking in Central America.

The "Cooperation in Combatting Narcotics Trafficking and Drug Dependency" Agreement established a bilateral anti-drug commission. The resulting U.S./Mexico Mixed Permanent Commission (MPC) Against Narcotics Trafficking and Drug Dependency met for the first time in Mexico City on September 7, and reviewed the entire range of bilateral drug cooperation. The MPC's Demand Reduction Working Group (DRWG) held technical talks in Washington in October. At the DRWG meeting, the State Department Bureau of International Narcotics Matters (INM) and the GOM agreed to conduct joint, school-based drug prevention training in Central America.

The GOM signed four counternarcotics Memoranda of Understanding (MOU) with the USG on September 25 covering USG support for the PGR's interagency anti-narcotics planning and information center, enhanced eradication efforts, mobile trailers and trucks for air interdiction operations, and an aerial survey program of illicit crops.

INM's program in Mexico supports drug control projects in law enforcement, demand reduction/education and eradication. While most of INM's FY 1991 and FY 1992 funding supports the PGR's aviation

program -- essential to eradication and interdiction -- the GOM plans to assume more of these costs. This action will enable the USG to direct more of its resources toward training, bilateral law enforcement efforts, and assisting the GOM in acquiring more advanced technology.

The Road Ahead. Under President Salinas, the Mexican Government has stepped up its war on drugs with greater emphasis on enforcement, education, and treatment. Despite noteworthy progress, the flow of drugs through Mexico into the U.S. remains at a high level, and Mexican society and institutions still face the enormous challenges from this multi-billion dollar criminal activity. We expect Mexico's role as the largest conduit of cocaine to the United States to continue, and we must continue to build on the positive Mexican reaction to the U.S. National Drug Strategy by encouraging greater bilateral confidence and cooperation. We also anticipate that Mexico will play a larger role in building a regional coalition against drug trafficking.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]		3,765	5,450	6,600	5,001
Eradication /a	[ha]		6,545	4,650	3,000	2,737
Cultivation	[ha]		10,310	10,100	9,600	7,738
Yield	[mt]		41	62	66	45-55
HEROIN						
Theoretical potential	[mt]		4.1	6.2	6.6	5.0
Seized in-country	[mt]		0.146	0.40	0.30	0.15
CANNABIS						
Potentially harvested	[ha]		17,915	35,050	53,900	5,003
Eradication /a	[ha]		10,795	6,750	4,000	3,997
Harvestable Cultivation	[ha]		28,710	41,800	57,900	9,000
Whole dry plant /b						
Yield (1.13 mt/ha)	[mt]			39,600	60,900	5,655
Usable Plant /b						
Yield	[mt]		7,775 #	19,700 *	30,200	-
Seized in-country	[mt]		255	408	412	278
Consumed in-country	[mt]		100	100	100	100
Seizures						
Opium	[mt]		0.10	0.40	-	0.16
Heroin	[mt]		0.15	0.18	0.93	0.07
Cocaine	[mt]		50.26	48.50	38.10	15.40
Marijuana	[mt]		254.90	408	412	278
Arrests						
Nationals			8,621	18,000	15,849	14,000
Foreigners			141	194	292	275
Total Arrests			8,762	18,194	16,141	14,275
Labs Destroyed						
Heroin			8	12	12	8
Cocaine			1	1	5	1
Users (thousands)						
Opium			-	-	-	-
Heroin			-	-	-	-
Cocaine			-	-	-	-
Marijuana			-	-	-	-

(a) Increased information sharing with the Government of Mexico has helped us improve the accuracy of the impact of eradication on marijuana and opium cultivation in 1990. Based on this analysis, we have adjusted the estimates

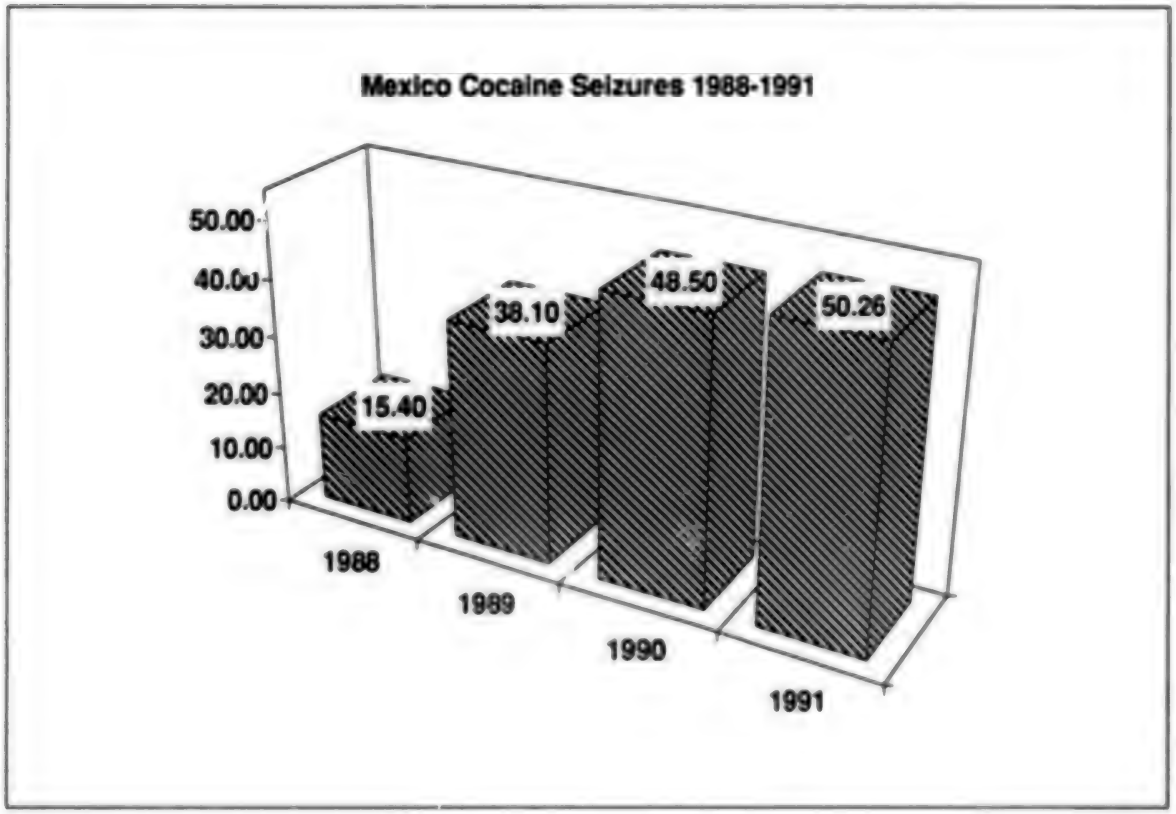
Statistical Tables

for 1989 opium hectarage eradicated upwards and of marijuana hectarage eradicated downwards. This changes the net cultivation available for harvest and potential production figures for both crops accordingly.

(b) 1990 information from Government of Mexico officials has enabled us to obtain a more accurate understanding of the actual amount of usable plant yield versus whole plant yield. Accordingly we have used the "usable plant yield" to calculate production figures for both 1989 and 1990.

*Usable plant yield .56 mt/ha

Usable plant yield .434 mt/ha



NICARAGUA

I. Summary

The Government of Nicaragua (GON) has only recently begun to address the counternarcotics issue. With the end of a ten-year long civil war, and the vacuum of authority arising from the withdrawal of security forces from rural areas, Nicaragua is becoming a transit point for illicit drugs moving north. Though drug seizures so far have been too limited to establish a clear trend, it appears that much of the drug trafficking involves cocaine arriving on the Atlantic coast, or passing through the Pacific coast ports. To date, all major seizures have been on the Pacific coast.

Nicaraguan law enforcement forces do not have special units dedicated to narcotics trafficking. The economic difficulties facing the current government have reduced the capabilities of the security forces. Nevertheless, the Ministry of Government -- responsible for police affairs -- is in the process of forming a new anti-narcotics unit and has requested assistance from the USG to train and equip the unit. The National Assembly has two laws in committee designed to replace the current, antiquated narcotics-control law.

II. Status of Country

Since the Chamorro Government is new to the drug control scene, the scope of the national drug problem is not clear. Recent seizures, however, indicate that the country is being used as a transit point in the traffic of drugs -- mostly cocaine -- from South America to the U.S. and Europe. There is a limited amount of cannabis cultivation, primarily for domestic consumption. The end of the ten-year civil war left a vacuum of authority in much of the countryside which can be exploited by sophisticated drug trafficking organizations. The government has few resources to dedicate to drug control efforts, when other critical needs remain unaddressed.

III. Country Actions Against Drugs in 1991

Policy Initiatives. There has been no governmental entity dedicated to combatting drug abuse or trafficking. However, the GON began two principal policy initiatives in 1991 to combat drug trafficking. The first is an effort by the Ministry of Government to create a new directorate under the Office of the Minister to deal with narcotics affairs. The new office will include representatives of the Ministries of Health and Education, the Attorney General's office, and law enforcement offices. This effort has been delayed by the apparent resignation of the GON's first nominee as Anti-Narcotics Commissioner. Lately, this initiative has been organized under the Vice Minister of Government, who has announced his intent to appoint a new Anti-Narcotics Commissioner soon.

The second initiative involves collaboration between the executive, judicial and legislative branches to produce a comprehensive law dealing with drug trafficking and related criminal activity. The present law, dating from the early 1970s, does not contemplate the broad complex of illegal activity connected with drug trafficking, such as money laundering and traffic in precursor chemicals.

Accomplishments. Nicaraguan anti-narcotics accomplishments in 1991 were limited principally to seizures of cocaine transiting the country (including 30 kg in March, and 700 kg in November) and increased arrests of small-time local drug dealers.

In September, Nicaragua signed a Memorandum of Understanding with the USG governing assistance on narcotics issues. Among the goals set forth in the agreement are the formation of an independent enforcement unit in the police and the passage of modern anti-narcotics legislation.

Law Enforcement Efforts. Nicaraguan law enforcement units remain under the effective control of the FSLN, are highly politicized, and are severely handicapped by a lack of personnel, equipment, and training. Nicaragua's antiquated narcotics law, which treats possession of or trafficking in controlled substances (as defined by international convention) as violations of health codes rather than of criminal statutes, further complicates police efforts. The new law will address this problem.

Corruption. Involvement of local officials in drug trafficking has been alleged, although no arrests have been made. On occasion, political opponents accuse each other of corruption or involvement in narcotics but none of these accusations has been proved. There is no evidence that senior government officials are involved in or facilitate illicit drug trafficking.

Agreements and Treaties. Nicaragua is a party to all international narcotics conventions signed by the USG except the 1972 Protocol amending the 1961 Single Convention on Narcotic Drugs. In September, Nicaragua signed a narcotics control cooperation agreement with Colombia.

Cultivation and Production. Cannabis is cultivated in small plots throughout Nicaragua, primarily for local consumption. There is no evidence of production or cultivation of other drugs.

Domestic Programs. At present, demand reduction in Nicaragua is limited to occasional media messages and efforts by the Ministries of Health and Education to spread the word about the dangers of drug abuse.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. goals in Nicaragua are to assist the government to address effectively the problem of illegal narcotic shipments through Nicaragua. Initiatives include USG assistance in drafting a new narcotics-control law, encouraging the government to join regional groups dedicated to halting drug trafficking, and helping the government to form a professional, civilian law enforcement body to deal with narcotics violations.

Bilateral Cooperation. In September, funds provided by the State Department's Bureau of International Narcotics Matters (INM) were used to assist the Nicaraguan Government to send representatives to a Drug Enforcement Administration (DEA) training course in Costa Rica, to the International Drug Enforcement Conference (IDEC) IX conference in Colombia, and to the meeting of the Central American Commission for the Control of Narcotics in Guatemala City. INM funds were also used to help the GON host a regional conference to draft new anti-narcotics legislation. Judicial officials from the USG and the Costa Rican Government attended the meeting as advisors. The remainder of INM anti-narcotics funds for 1991 is being used to help the GON construct several police narcotics control offices on the Atlantic coast.

Since the democratic transition in Nicaragua, the GON has shown an interest in close cooperation with the USG in narcotics matters. The GON cooperated in the apprehension of one important trafficker, responded positively to DEA contacts, and shared counternarcotics information it has developed. The government has also worked closely with DEA and U.S. Customs to develop training programs for GON officials responsible for border security against narcotics trafficking.

The Road Ahead. The USG will continue its bilateral efforts with the GON to control narcotics. Building on the established groundwork, future assistance will include technical advice, some commodities, and counternarcotics training. Furthermore, INM and the Government of Mexico will provide joint, school-based prevention training.

V. Statistical Tables. No statistical data is available

PANAMA

I. Summary

Narcotics trafficking and drug money laundering continue to be serious threats to democracy in Panama. The Endara Government, however, has worked with the USG to combat these problems and took a number of steps in 1991 to build for the future. Those included conclusion of a bilateral Mutual Legal Assistance Treaty (MLAT), a joint maritime operations agreement (shiprider), and a political decision to install a Joint Information Coordination Center (JICC) in Panama. The Endara Government understands the threat of drugs to society and made a public commitment to combat the narcotics trade at all levels. During 1991, Panama strengthened controls on money laundering, and improved training and cooperation between the banking and legal communities to implement these controls.

II. Status of Country

Though accurate data on the flow of illegal drugs through Panama is not available, seizures indicate that the country is a major transshipment point for cocaine destined for the U.S. and Europe. Large seizures in 1991 indicate that narcotics traffickers continue to use all means to transship illegal narcotics, especially cocaine. There is no evidence, however, to support rumors about cocaine processing labs in the Darien. Probable illegal narcotics production is limited to small amounts of marijuana. There is no evidence of significant precursor chemicals production or diversion.

Panama's role as a financial and commercial crossroads and its dollar economy make it an attractive venue for drug money launderers. Regulations requiring the recording of certain banking transactions, the prosecution of narcotics money laundering cases and the freezing of accounts are important, initial steps to combat money laundering, but have yet to be implemented widely and effectively.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The Panamanian Government (GOP) took several significant measures to reduce the illegal drug trade. The MLAT, signed with the U.S. in April, was ratified by the National Assembly in July. The Treaty, which is pending in the U.S. Senate is an important vehicle for sharing information and evidence for use in criminal investigations and prosecutions, including narcotics trafficking and money laundering. It is also an important symbol of the Endara Government's commitment to combat drug trafficking and money laundering through international cooperation.

The MLAT identifies the Ministry of Government and Justice as the GOP's central authority on treaty implementation. The appointment in June of a Director for the Coordinating Office in the Ministry demonstrated the GOP's commitment. The Office, scheduled to open in 1992, will educate Panamanian lawyers, bankers, and others on implementing the Treaty. Once the Senate has given its advice and consent to the treaty and it is signed by the President, the MLAT will come into force.

In March, Panama signed a maritime operations agreement with the USG. This agreement permits joint patrols of the U.S. Coast Guard and the Panamanian Maritime Service (SMN). The State Department's Bureau of International Narcotics Matters (INM) transferred a decommissioned 82-foot U.S. Coast Guard patrol boat to the SMN in July. Various operations have served as effective training and enforcement mechanisms for the SMN.

In January, the National Banking Commission of Panama expanded the recording requirements of Cabinet Decree 41 by including "near-cash" transactions of $10,000 or more (e.g., travelers checks, bank checks, or "bearer" money orders). The National Banking Commission and the Attorney General's office signed a Memorandum of Understanding in April for enhanced cooperation in criminal investigations of money laundering. Since no mechanism existed, this is a positive step, although it remains to be fully implemented.

Panama signed the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; the GOP, however, has yet to present the Convention to the National Assembly for ratification. Panamanian law already incorporates many provisions of the UN Convention.

Panama has strong anti-narcotics legislation. Law 23 of 1986 criminalizes a broad range of narcotics producing and trafficking activities and money laundering, and provides for the forfeiture of trafficker assets. The National Assembly's ad hoc Commission on Narcotics is working on an updated comprehensive narcotics law, which should be ready for National Assembly consideration in 1992.

Accomplishments. Despite the GOP's many competing priorities, it has made important strides in combatting drug trafficking. In 1991, law enforcement agencies made 914 narcotics-related arrests. As the judicial backload of cases dating from the Noriega regime is reduced, more recent narcotics cases are reaching the trial stage. USAID is assisting the GOP in strengthening its judicial system through technical assistance, training, and commodities. This assistance is designed to increase the efficiency and independence of the investigative and trial phases of the criminal justice process. Panamanian law enforcement agencies have confiscated substantial assets used in trafficking activities.

Using information provided by the USG in legal assistance requests, the GOP, under Law 23, has frozen over 300 bank accounts. The legal means to forfeit the funds without bringing criminal charges remain unperfected, but the USG and the GOP continue to work together to seize these funds. The first money laundering prosecution (in absentia against a Medellin cartel launderer) is to go to trial in early 1992. In July, the private Panamanian Banking Association sponsored a counter-money laundering seminar for some 100 members of the Panamanian banking community. Five USG experts spoke about bank regulatory and prosecutorial measures to combat narcotics and money laundering.

Law Enforcement Efforts. Panamanian law enforcement institutions have established a creditable record of narcotics seizures and arrests. The special Anti-narcotics Force of the Judicial Technical Police (PTJ) now numbers 42 officers, with plans to expand it to 91. The PTJ also is professionalizing its ranks and established the Office of Professional Responsibility (OPR) in 1991. Its mission is to investigate allegations of misconduct, including drug-related corruption, by PTJ members. The PTJ initiated 175 investigations; of the 14 officers referred for prosecution, all were dismissed from the PTJ. The Panamanian Customs Service seized over 1,000 kg of cocaine in 1991.

Corruption. There is no conclusive evidence of any senior official engaged in the production, distribution of drugs or money laundering, although there are unconfirmed reports of suspect activities.

Domestic Programs. Panamanians are acutely aware that drug abuse and drug trafficking are urgent problems that the country must address. In contrast to the past, virtually no one insists that the drug war is a problem only for the U.S. and other countries.

Panama is making significant progress in demand reduction. Programs supported by the USG have generated drug prevention commissions in every province and in many neighborhoods of Panama City. In addition to founding the Provincial Drug Commissions, the National Drug Prevention and Rehabilitation Committee (CONAPRED) has brought together working-level prevention specialists from several agencies of the government and private sector. Officials of the Ministry of Health and the Ministry of Education are working, under a USG grant to teach drug prevention techniques to teachers throughout the country.

USAID has supported various demand reduction efforts, such as an epidemiological study that provides up-to-date information to Panamanian authorities on narcotics use. This will assist in the design and implementation of narcotics awareness and prevention programs. USAID has a two-year program with the private-sector Cruz Blanca to expand its response to the growing demand for community-level assistance for training and counseling.

IV. U.S. Policy Initiatives and Programs:

Policy Initiatives. The USG strategy seeks to enhance the professionalism of Panamanian enforcement personnel, including Customs and the National Drug Commission, and to provide material assistance for more effective operations (vehicles, computers, communications and field gear).

The USG works with the GOP to disrupt and dismantle multinational criminal organizations supporting the production, processing, transportation, and distribution of drugs to the U.S. and the laundering of their illicit profits.

Bilateral Cooperation. The Panamanian Government cooperates extensively in assisting the USG on various drug-related matters. The 1990 Ship Boarding Agreement laid the groundwork for high-seas boardings by the U.S. Coast Guard of Panamanian-registered vessels. The U.S. has received authority from the GOP to board, search, seize, and prosecute, if necessary, with little delay.

USG officials work with Panamanian law enforcement institutions to interdict illegal narcotics and conduct drug investigations. U.S. officials also work with Panamanian authorities on intelligence analysis and dissemination. The GOP provided substantial assistance to U.S. narcotics and money laundering investigations and prosecutions. The GOP also provided the USG with documents in three major inquests (Rodriguez Gacha, Calico and C-Chase) and documents for five additional lesser cases (including Cape Cod Task Force and Polar Cap). The GOP acceded to USG requests for bank records growing out of documents seized in Colombia during joint Government of Colombia (GOC)/USG actions.

In a continuing effort to improve capabilities, over 250 Panamanian law enforcement personnel received training in USG-funded seminars. In April, the USG sponsored money laundering courses for law enforcement and judicial officials. The courses focused on money laundering intelligence and on prosecuting money laundering offenses. Approximately 60 GOP officials participated. The U.S. Drug Enforcement Administration (DEA) office followed up with several law enforcement seminars, including two on money laundering investigative intelligence. These were in addition to training offered by the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP), which included 22 hours of anti-narcotics training, and the October mock trials sponsored by USIS, which included a narcotics trafficking case. With ICITAP assistance, the PTJ published a manual for the handling of evidence in criminal cases, including drug cases.

Under the 1990 Essential Chemicals Agreement, the PTJ has cooperated fully in providing information on companies suspected of transporting essential and precursor chemicals through Panama for illicit purposes.

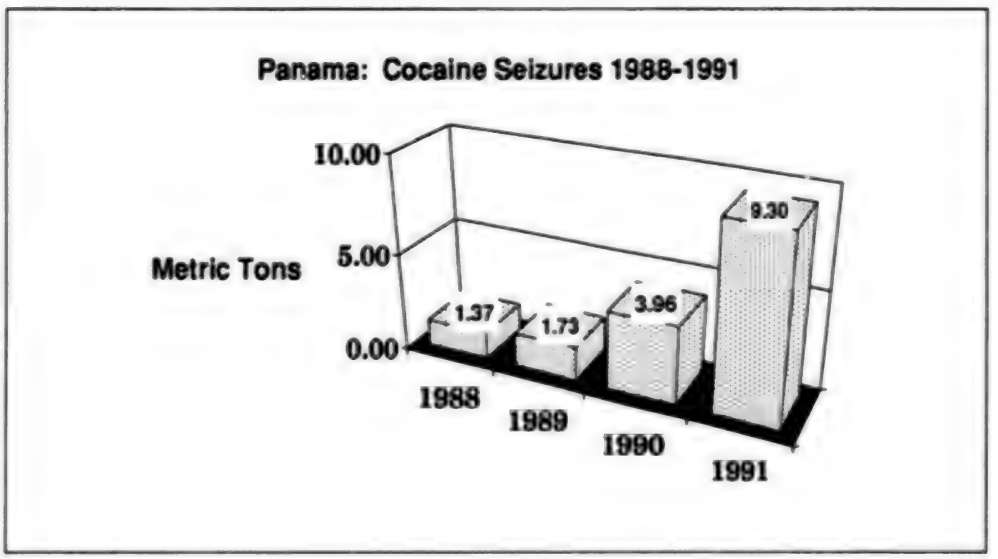
The USG has requested extradition of four Colombian nationals to the United States for legal action under the 1904 bilateral treaty. The cases are still pending in the Panamanian judicial system.

The USG is consulting with the GOP on establishing a Caribbean Basin Radar Net (CBRN) station which would enable the USG to share data and provide the GOP with an opportunity to assume a greater role in regional counternarcotics efforts. The USG is also helping to improve local information gathering and analysis capabilities through the creation of the JICC. The USG has purchased equipment for the JICC, and the GOP is seeking appropriate space and budgeting salaries for the staff.

Statistical Tables*

TABLES for CY		*1992 est.*	1991	1990	1989	1988
Seizures						
Cocaine	[mt]	-	9.30	3.96	1.73	1.37
Bazuco	[mt]	-	0.02	0.04	0.24	0.04
Cannabis	[mt]	-	9.87	0.11	1.84	0.01
Arrests						
Nationals		-	610	707	-	-
Foreigners		-	149	116	-	-
Total Arrests		-	759	823	-	-

*Seizure and arrest data have been corrected for previous years by Panamanian authorities.



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THE CARIBBEAN

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THE BAHAMAS

I. Summary

The Bahamas remains a transit point for cocaine destined for the U.S., despite successful regional programs, joint USG and Government of the Commonwealth of The Bahamas (GCOB) interdiction and investigative operations, and Bahamian Government enforcement of its tough drug laws. In 1991, the Bahamian Government acted aggressively against drug trafficking throughout the 700 island archipelago. We estimate that the flow of marijuana through The Bahamas has declined significantly with the reduction of production in Colombia in recent years, although Bahamian authorities sometimes interdict marijuana from Jamaica. The Bahamas has traditionally been neither a drug-producing nor a drug-refining country. However, a new development in 1991 was the discovery and eradication of a cannabis field and the seizure of prepared marijuana on Andros Island. Corruption continues to be a problem, particularly of local officials at isolated locations. Cooperation between the USG and the GCOB is close, extensive and productive.

II. Status of Country

The Bahamas' location between Colombia and Florida makes it an ideal transit point for cocaine en route to the eastern United States. As a major financial center, it has the potential to be a money laundering site. Although USG law enforcement agencies occasionally report on money laundering connected to activity in The Bahamas, we do not have an accurate estimate of its extent. The GCOB is committed to protecting its standing as a legitimate international financial services center and has agreed to bilateral talks on money laundering issues with the USG in 1992.

III. Country Action Against Drugs in 1991

Policy Initiatives. The GCOB cooperates fully and extensively with USG narcotics control agencies, and USG assistance plays a large role in supporting a wide variety of its efforts. The Bahamas also has taken a number of steps to improve its legal framework for drug control. The Bahamas was the first country to sign the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The GCOB passed implementing legislation required under the Convention and has issued all related regulations except a customs order requiring that precursor chemicals be licensed before entry or export. The GCOB expects to issue this regulation in early 1992. The draft regulation would control 39 chemicals, which, if signed as currently written, would exceed Convention and USG internal control requirements. The USG has no information that The Bahamas is used by traffickers as a precursor chemical transit country.

Law Enforcement Efforts. The Bahamas has adequate laws and regulations to control drug trafficking. The GCOB strategy is to make drug trafficking in The Bahamas difficult, unprofitable, and dangerous. By denying bail to foreigners arrested on drug charges and by imposing long, mandatory minimum sentences against traffickers, the GCOB has been increasingly successful in dissuading drug traffickers from entering The Bahamas. The airdrops now used by traffickers, in which loads of cocaine are dropped into the sea for waiting pick up boats, reflect an attempt to avoid the network of USG-supplied radar installations operating throughout the islands, and illustrates how the traffickers have had to change tactics in response to more effective interdiction techniques.

In 1991, the GCOB successfully implemented its drug conspiracy laws. The Royal Bahamas Police Force (RBPF) arrested Sean Adderley, one of the most prominent drug traffickers in The Bahamas, along with three members of his organization. Denied bail, Adderley remains in jail pending trial. The RBPF also arrested two major traffickers active on Grand Bahama Island. Convictions in 1991 brought to justice traffickers Norman Nixon, Robin B. Nichols, and Lee Butler. However, Livingston "Winky" Gray, a convicted drug lord, reportedly continues to conduct trafficking operations while free on bail pending appeals.

Corruption. The GCOB has taken appropriate and effective measures to prevent and punish official corruption although corruption of local officials at isolated locations continues to be a problem. Trials proceeded during 1991 against two island commissioners and an air traffic controller arrested in 1990 (along with 23 others) for facilitating drug trafficking. A police inspector and a customs officer were convicted on two separate drug conspiracy charges. The GCOB investigates allegations of corruption provided by USG law enforcement agencies and has assisted prosecutions in the U.S. of Bahamian officials by providing valuable evidence in those cases.

Agreements and Treaties. In the international arena, The Bahamas actively participates in the OAS Inter-American Drug Abuse Control Commission (CICAD) and is part of the Experts Group on money laundering. The Bahamas is also a member of the Caribbean Financial Action Task Force.

The Bahamas has cooperated closely with USG law enforcement agencies on drug interdiction. For ten years, The Bahamas and the U.S. have jointly patrolled the seas and the airspace of The Bahamas against drug traffickers under such programs as Operation Bahamas and Turks and Caicos (OPBAT), OPBANDIT, and the shiprider agreement.

OPBAT, consisting of Royal Bahamas Police Force (RBPF) officials and U.S. Drug Enforcement Administration (DEA) agents transported by U.S. Coast Guard, U.S. Army, and DEA helicopters, continues to

patrol out of Nassau, Freeport, and George Town to interdict trafficker aircraft and their cargo. In 1991, the joint OPBAT mission opened a base in Great Inagua, the southernmost island of The Bahamas.

OPBANDIT, a similar mission based in South Florida, is conducted jointly by the RBPF and U.S. Customs. The shiprider program between the U.S. Coast Guard and the Royal Bahamas Defence Force (RBDF), extends the sea coverage of the GCOB by allowing U.S. Coast Guard cutters to patrol the waters of The Bahamas. U.S. Customs, U.S. Coast Guard, and the RBDF patrol jointly in the waters between South Florida and The Bahamas, using a base at Gun Cay.

In biannual meetings bringing together law enforcement agencies and high-level officials of both countries, The Bahamas-U.S. Joint Task Force has focused on innovative means to respond to the changes in trafficking patterns in the archipelago. The GCOB has sought out the use of USG mobile aerostat vessels in Bahamian territory. It also has adopted techniques such as reverse undercover operations to outwit traffickers, in which a law enforcement officer plays the role of a drug seller, gaining knowledge of the trafficking network and facilitating arrests.

These innovations have produced evidence that has been used successfully in criminal cases. While at times the judicial system of The Bahamas is slow and cumbersome by U.S. standards (the extradition of attorney Nigel Bowe is in its sixth year of court proceedings), justice is fairly dispensed. The Bahamas Supreme Court rejected all eight of Bowe's appeals to overturn his extradition to the U.S. A final appeal to the Caribbean appeals court should be heard in March 1992. In 1991, there were two extraditions from The Bahamas to the U.S. and five from the U.S. to The Bahamas.

Cultivation and Production. While not traditionally a drug-producing or drug-refining country, the Bahamian Police in late 1991 destroyed approximately 40,000 cannabis seedlings and 1,000 medium-size plants on Andros Island and seized 22 kg of prepared marijuana. No arrests were made.

Domestic Programs. The National Drug Council (NDC), under the Ministry of Health, coordinates drug abuse prevention efforts in The Bahamas. The NDC encompasses the efforts of government and private organizations, religious groups, and businesses to address demand reduction issues. NDC programs to guide Bahamian teenagers to a drug-free life are notable. In 1991, the Ministry of Education began training public school teachers in a program that instills self-worth and decision-making skills in primary school-age children. The NDC's adult programs focus on community action against violent crime, which the NDC sees as a result of drug use and community acceptance of trafficking.

The GCOB recently completed a study of drug use on New Providence Island (Nassau) and Grand Bahama Island (Freeport) funded by the United Nations International Drug Control Program (UNDCP). The study reports that the rate of cocaine use in The Bahamas is lower than in the U.S., but higher than in Canada. About two percent of all respondents to the survey have used cocaine often enough to be termed "probably addicts", defined as persons with a lifetime frequency of use over 100 times or more. The total addict population of The Bahamas has not been estimated.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG drug policy for The Bahamas is to work with the GCOB to stop the flow of drugs through the archipelago and to build its counternarcotics capability. USG law enforcement efforts support these objectives. The joint efforts result in arrests and seizures and provide GCOB law enforcement agencies access to the latest law enforcement techniques, training and equipment.

Bilateral Cooperation. The bilateral relationship between the U.S. and The Bahamas' is highly cooperative. Adequate procedures are in place for country clearances and shiprider agreements. The Ministry of Foreign Affairs facilitates clearances for USG operations and other time-sensitive matters.

The GCOB and the USG are continuing discussions regarding The Bahamas decision to formally become an archipelagic state and the potential effect of this decision on USG drug interdiction efforts in Bahamian waters. The GCOB has assured the USG that the change in legal status of the waters will not diminish our cooperative operations. Both governments are considering consolidation of joint law enforcement arrangements into a new comprehensive agreement that will take into account The Bahamas' archipelagic status when it takes effect.

The USG also will seek to improve the capability of the GCOB to conduct investigations and operations. Interdiction operations such as OPBAT are almost prohibitively expensive for a small nation, and there are obstacles in receiving time-sensitive, classified data from the USG. A starting point for this information sharing is the initiation of a Joint Information Collection Center (JICC) in The Bahamas, supported by the State Department's Bureau of International Narcotics Matters (INM). Computer software, provided by DEA, has been installed, and the JICC will be functional in early 1992. This will be the first direct link into USG law enforcement data bases for GCOB investigations.

The Road Ahead. The USG intends to continue support for joint interdiction efforts against drug trafficking. USG assistance will focus on the disruption of Bahamian drug-facilitation networks by providing equipment, training and law enforcement intelligence to the RBFP. We plan to expand the scope of joint law enforcement investigations, which result in arrests and prosecutions in both the U.S. and The Bahamas. Encouraging GCOB efforts to streamline the judicial process should help put Bahamian drug traffickers in jail. We also plan to continue support for activities which have proven their deterrent effect, such as a maritime base on the principal crossing route between the U.S. and The Bahamas.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
Seizures [a]						
Cocaine	[mt]	*4.5*	5.3	3.5	5.5	10.7
Marijuana	[mt]	*0.3*	1.2	2.5	0.6	13.3
Arrests						
Nationals			-	-	1,043	1,016
Foreigners			-	-	212	245
Total Arrests		*1,200*	1,085	1,443	1,255	1,261
Consumption [b]			negligible	negligible	negligible	negligible

(a) Seized in The Bahamas and adjacent international waters.
(b) Exact quantity unknown, but believed to be negligible due to small population.

2/4/92

CUBA

I. Summary

Cuba occupies a strategic location for potential drug routes into the United States. Traffickers are known to transit Cuban airspace and territorial waters to avoid USG law enforcement aircraft and vessels operating in the Caribbean. While the Cuban response to trafficking has been neither vigorous nor effective, the Cuban route does not appear to have increased in importance for the traffickers. Smuggling operations in and around Cuba primarily involve cocaine and marijuana.

Since the celebrated 1989 Ochoa drug trials in Cuba, greater publicity has been given to the Government of Cuba's (GOC) anti-drug efforts, but evidence of results is only nominal.

II. Status of Country

The amount of trafficking taking place through or around Cuba is difficult to gauge. The GOC does not publish comprehensive reports on suspected trafficking or statistics on other narcotics matters. Official announcements of seizures involve relatively small quantities. The GOC claims that Cuba neither produces nor consumes illicit drugs, and there is little evidence to refute this beyond an occasional arrest report for possession or cultivation of small amounts of marijuana. There is no evidence that Cuba produces any significant quantities of drugs or participates in money laundering.

The GOC increased its diplomatic exchanges with other governments on the combatting of drug trafficking in 1991 and conducted some limited law enforcement information exchange with the USG. Shortages of fuel and essential spare parts due to the reduction in aid from the former Soviet Union can be expected to constrain future GOC capability to track or interdict drug trafficking.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The GOC has been seeking to expand its anti-trafficking cooperation with other countries, including informal information-sharing with the U.S. In December, the GOC signed a judicial cooperation agreement with Colombia to facilitate prosecution of drug smugglers.

Accomplishments. According to a Ministry of Justice official, Cuba seized 897 kg of cocaine and 555 kg of marijuana between January and October 1991.

Eleven people, ten of whom were Cuban citizens, were charged with cocaine trafficking in February. The arrest was widely publicized. The drug came from a January airdrop where the GOC captured 415 kg.

In August, the GOC volunteered information on potential drug smuggling activities of Cuban nationals who are permanent residents of the U.S.

The GOC hosted meetings with drug enforcement officials from the United Kingdom and The Bahamas. In December, they signed a judicial cooperation agreement with Cuba to facilitate the prosecution of drug smugglers.

In November, the Minister of Justice stated that Cuba is willing to sign an anti-drug agreement with the USG.

Cuba is a signatory to the 1961 UN Single Convention on Narcotic Drugs, the 1971 Convention on Psychotropic Substances (with reservation) and the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Law Enforcement. Cuba has an official policy of combatting drug trafficking moving through its air space or territorial waters, although the GOC has reported very low levels of drug seizures or interdiction operations. To our knowledge, Cuba has not interdicted a drug flight through its air space since 1990.

Article 190 of the Cuban Penal Code provides for imprisonment of three to eight years for the production, transport, trafficking, possession with the intent to traffic, or procurement for others of toxic drugs or hallucinogenics, hypnotics or narcotic substances. Simple possession is punishable by sentences of six months to three years. Privately held land used to cultivate cannabis or other illicit crops is subject to confiscation. If the amounts of illegal substance involved are "relatively large," sentences range from seven to fifteen years.

Six of the nine U.S. citizens known to be serving prison sentences in Cuba at the end of 1991 were convicted of drug smuggling. There may be others who are Cuban-American dual nationals but Cuba, as a matter of policy, does not recognize dual nationality and does not automatically inform the USG of the arrest of Cubans who are naturalized U.S. citizens. There were no new arrests of U.S. citizens in 1991 known to the USG.

Most drug smugglers apprehended by Cuban forces are also charged with illegal entry into Cuba, a crime carrying a sentence of an additional two years of imprisonment. Most smugglers, however, are given early release after three to six years in prison. The destination of the drugs is not considered a relevant factor by Cuban courts.

Cuban anti-drug enforcement is coordinated by the National Commission on Drugs, an interagency body under the Ministry of Justice. The Commission also includes representatives of the Ministries of the Interior, External Relations, and Public Health, as well as Customs and the Border Guards. The lead agency is the Ministry of Interior's National Narcotics Department headed by Colonel Ramon San Yee.

Although there is an existing extradition treaty between the United States and Cuba, as a matter of practice, the two governments do not have and have not had an extradition relationship since the inception of the Castro regime.

IV. U.S. Policies and Programs

The U.S. Coast Guard and Federal Aviation Administration continue to exchange with the Cuban Border Guards and the Havana Air Traffic Control Center non-sensitive, real-time information on suspicious aircraft and vessels in or near Cuban air space or waters. These exchanges, normally made by telex, took place about once per month in 1991. The Cuban responses have been hampered by time-lags in communication in both directions. (Discussions were held in 1991 on how to reduce those delays.) Other working-level law enforcement information exchanges continue on a case-by-case basis. The USG has no plans to provide narcotics-related assistance to Cuba.

V. Statistical Tables - No data is avaialble.

DOMINICAN REPUBLIC

I. Summary

The Dominican Republic is a transshipment point for cocaine and marijuana smuggled from source countries to the United States. The level of trafficking activities during 1991 did not change significantly from the previous year, although there appears to be increased drug use in-country. Colombian trafficking organizations attempted to set up transportation networks, despite increased Dominican interdiction and enforcement efforts. There were no significant changes in Dominican narcotics control policy during 1991. Cooperation between the USG and the Dominican Republic continues to be close.

II. Status of Country

The Caribbean is vulnerable to drug trafficking. Small, island states with limited budgets, inadequate legislation, and small police forces make choice targets for well-financed trafficking organizations. The Dominican Republic typifies this situation. Trafficking organizations with links to criminal elements in Santo Domingo and New York City's large Dominican population dominate the country's illegal narcotics trade.

III. Country Action Against Drugs in 1991

Policy Initiatives. There were no major changes in the Government of the Dominican Republic's (GODR) drug control policy in 1991; it remains strongly opposed to drug trafficking. A bill is being considered in the Dominican Senate which would create a National Drug Tribunal aimed at eliminating the corruption which stems from drug cases.

Accomplishments. The GODR vigorously pursued narcotics law enforcement and interdiction activities in 1991. The National Drug Control Directorate (DNCD) Academy, with USG financial and technical assistance, conducted a wide range of professional training for both DNCD personnel and other military and civilian officials. Training included law enforcement, drug abuse prevention, financial investigations, and dog handler courses provided by the U.S. Coast Guard, U.S. Customs Service (USCS), and private consultants. These activities increased the professional level of several Dominican counternarcotics organizations. USG assistance for the acquisition of vehicles, computer equipment and police materiel further enhanced the DNCD's effectiveness and the GODR's ability to reach UN Convention goals and objectives.

Law Enforcement Efforts. The Drug and Substance Control Law of 1988 (Law 50-88), an active National Drug Council, and an effective DNCD provide the GODR with the means to combat narcotics trafficking and associated activities in the Dominican Republic. However, the budget for the DNCD is inadequate. Additional money laundering and asset forfeiture legislation is needed, as well as judicial reform.

There is virtually no information available on the extent of narcotics-related money laundering in the Dominican Republic. The DNCD did establish a financial investigations unit in 1991 and three of its agents recently received several days of basic training from the U.S. Drug Enforcement Administration (DEA)/Miami and the USCS/San Juan, PR.

The establishment of a remote radar scope in the DNCD in September provided on-line data from the El Manaclar Caribbean Basin Radar Network facility located on the south coast. The Angie III mobile radar facility was relocated to the north coast, east of Puerto Plata, in March. These sites feed data into the Joint Intelligence Collection Center (JICC) in Santo Domingo as well as the Caribbean Basin Radar Network headquartered in Key West.

With USG assistance, the DNCD canine unit was evaluated in April to improve its effectiveness. Advanced training was given in August.

The USG funded the installation of computer hardware and software in the JICC in 1991, providing the DNCD with increased capacity to handle large quantities of information and to develop useful intelligence.

In 1991, the DNCD was responsible for 3,495 narcotics-related arrests, 1,412 in the capital and 2,083 in the provinces. Of these, 150 were foreigners. During the same period, 1,395 people were indicted, 305 for possession, 69 for selling, and 1,021 for trafficking. In addition, the DNCD seized over 1.8 mt of cocaine, the equivalent of $189,445 in currency, 189 weapons, 179 vehicles, 149 motorcycles, three aircraft and three vessels.

Corruption. The GODR does not encourage or facilitate the production or distribution of illicit narcotic or psychotropic drugs or other controlled substances. Narcotics-related corruption, however, appears to be extensive within the police and military. Although allegations of involvement of government officials are common, no senior government official has been indicted for narcotics-related corruption. The GODR needs to strengthen legal and enforcement mechanisms to prevent and punish public corruption.

Agreements and Treaties. The GODR is party to the 1961 Single Convention on Narcotic Drugs and the 1971 Convention on Psychotropic Substances, but is not party to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Cultivation and Production. There is no known cultivation of coca or opium poppy in the Dominican Republic. Small-scale cannabis plots are discovered and destroyed periodically. There have been no processing labs discovered in this country for the past several years.

Domestic Programs. There is no reliable data on the number of drug users in the Dominican Republic. A narcotics awareness assessment survey is presently being conducted with USAID funding. Both civic and governmental agencies are active in drug prevention and treatment, but additional resources and programs are needed for this campaign. INM is providing school-based prevention and public awareness training.

The DNCD Academy held numerous demand reduction workshops and seminars for sports groups, health clubs, schools, and church groups in many different areas of the country in 1991. The Academy started COJURPE, a juvenile prevention council, which holds day-long prevention seminars twice a month for volunteer leaders from four different youth, sports, and church associations in Santo Domingo. With USG assistance, COJUPRE was expanded to Barahona and will extend to other areas in 1992.

PROPUID, a United Nations project implemented by the DNCD, is another drug prevention program. It has developed radio and television spots, developed and distributed prevention pamphlets and training materials, and trained guidance counselors and community leaders.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. goals and objectives in the Dominican Republic support GODR efforts to curb the flow of drugs from source countries through the Dominican Republic and into the United States and to enhance institutions which are essential for the long-term success of this campaign.

Bilateral Cooperation and Accomplishments. The GODR cooperates closely with U.S. law enforcement agencies and has allowed pursuit of suspect aircraft and ships into Dominican airspace and territorial waters. A bilateral Tax Information Exchange Agreement between the GODR and USG, signed in 1989, facilitates money laundering investigations. The 1909 Extradition Treaty with the USG does not cover crimes involving narcotics or terrorism, nor does it allow the extradition of Dominican nationals; however, the GODR has fully cooperated with USG officials in deporting American and third-country fugitives to the U.S.

Amendments to a bilateral Letter of Agreement on international narcotics control, signed in August and November, outlined continued joint support of host government counternarcotics projects. Two U.S. radar facilities operate in the Dominican Republic under a bilateral agreement.

The Road Ahead. The USG intends to provide assistance to the DNCD, JICC, and the DNCD Academy. In support of this effort, USG assistance contributes to maintenance, repair and periodic replacement for the DNCD's 22 project vehicles; enlarges and maintains the national radio communications system; maintains the JICC computer system and link to the DEA's El Paso Intelligence Center (EPIC), to include the microwave link to the JICC radar; and finally, insures that the DNCD Academy has adequate resources to promote professional law enforcement and drug prevention training. USG assistance will also enhance drug prevention and public awareness programs, making them national in scope.

The purpose of USG assistance is to improve GODR counternarcotics law enforcement and interdiction capabilities. The GODR should have the capacity to disrupt and dismantle drug trafficking organizations and interdict drug shipments destined for the United States, to seize financial and other assets, and to arrest and prosecute drug traffickers and their superiors. USG support to the JICC will strengthen human and technical information collection and analysis capability to develop intelligence that will increase the effectiveness of counternarcotics investigations and operations, and develop and maintain close law enforcement relationships with the USG and other countries to enhance mutual interests. The expansion of drug prevention and demand reduction programs should increase public awareness of the domestic impact of illegal drug use, drug trafficking, and money laundering.

The USG will promote judicial reform and new legislation to increase the conviction rate of major dealers, traffickers, and money launderers, and the number and amount of trafficker assets confiscated by the courts. It will also encourage the GODR to ratify key treaties and agreements and address the problem of narcotics-related corruption.

Statistical Tables

TABLES* for CY		*1992 est.*	1991	1990 [a]	1989 [b]	1988
Seizures						
Cocaine	[mt]	*2.50*	1.81	2.59	0.86	0.55
Marijuana	[mt]	*0.50*	0.40	0.48	0.16	11.19
Arrests						
Nationals		*3,500*	3,345	2,767	1,529	1,387
Foreigners		*200*	150	217	131	77
Total Arrests		*3,700*	3,495	2,984	1,660	1,464
Users (thousands)						
Cocaine/marijuana		*170*	160	150	150	150

(a) Revised data for 1990. 1991 INCSR had reported data only for January-October 1990.

(b) Revised from 1989 data shown in 1990 INCSR.

* Sources of Data: Cocaine Seizures-DEA; Marijuana seizures and arrests-DR authorities; Users-USEmbassy, Santo Domingo. 1/30/92

HAITI

I. Summary

Haiti is a transshipment point for the movement of illegal narcotics, especially cocaine, into the United States. The Government of Haiti (GOH) has had little success in attacking the problem because of insufficient interdiction and enforcement capability. As a result, Colombian trafficking organizations have been able to use Haiti as a way station for cocaine transport. But we do not have good estimates of the extent of this traffic. Although President Jean Bertrand Aristide was planning new policies and institutions to combat narcotics trafficking, his ouster in the September coup d'etat crippled narcotics control efforts in Haiti.

II. Status of Country

Haiti's geographic proximity to the U.S., coupled with a long unpatrolled coastline and mountainous interior, make the country an ideal site for illicit narcotics trafficking. The presence of a large number of uncontrolled airstrips adds to the country's attractiveness as a drug transit point.

Haiti is not an important producer of illegal drugs, though small-scale cannabis plots have been discovered and destroyed by law enforcement officials. There is almost no information available on money laundering activities in Haiti.

The Haitian legal system is ineffective in controlling illicit drug activity. Although Haiti's counternarcotics laws are relatively strong, law enforcement and military resources have been grossly inadequate to cope with narcotics trafficking. The weak judicial system has brought few traffickers to justice, even when arrests have been made. USG cooperation with Haitian authorities ceased after the September coup. There is no indication that drug enforcement is a priority with the current de facto government. There are reports that drug activity has grown since the coup, with increases in both surface and air shipments of cocaine to Haiti. Furthermore, unsubstantiated but credible reports indicate involvement by members of the military and police in the narcotics trade, as well as increased use of crack cocaine by military personnel.

III. Country Action Against Drugs

Policy Initiatives. While there were no dramatic changes in GOH international narcotics control policy during 1991, the new President, Jean Bertrand Aristide, announced a strong commitment to combat drug

trafficking and identified this problem as a priority. The Aristide Government took steps to create new institutions and improve anti-narcotics cooperation with the USG. Following the coup, political issues overshadowed any counternarcotics concerns for those in control of the government.

Accomplishments. Drug trafficking has been well beyond the capacity of Haitian security forces to control. Despite greater activity by the National Narcotics Bureau (NNB) under the Aristide Government, inadequate manpower and resources and a high turnover in personnel prevented it from making substantial headway. The Center for Information and Coordination (CIC) continued to collect and disseminate information, but lacked commitment and resources to fully engage in the campaign. The air force and navy were unable to engage in effective narcotics interdiction activities.

Law Enforcement Efforts. Counternarcotics law enforcement efforts in Haiti fall under the Ministry of Defense. The CIC has been responsible for collecting, analyzing, and disseminating information and intelligence for narcotics law enforcement and interdiction activities. The NNB has been directing law enforcement activities and reports to the Chief of Staff of the Haitian Armed Forces. The CIC was staffed with about thirty officers and enlisted men; the NNB had slightly over forty. These organizations have not had a significant effect on the transshipment of narcotics through Haiti.

The extent of narcotics-related money laundering in Haiti is unknown. The lack of currency regulations and money laundering laws, together with an open parallel currency exchange, makes Haiti vulnerable to this type of activity. Additional legislation, however, would accomplish little until enforcement capabilities are augmented.

Corruption. While it has not been GOH policy to encourage or facilitate the production or distribution of illicit narcotic or psychotropic drugs or other controlled substances, we have frequently received reports of the involvement of government and military personnel in narcotics trafficking. There were even media allegations during the brief Aristide regime of the President's link to a notorious Haitian drug trafficker. There are concerns that drug corruption may be intensifying, following Aristide's overthrow.

Under Aristide, the government's state prosecutor and his deputy were imprisoned in May for suspected involvement in an effort by a drug smuggler to bribe his way out of jail. No other senior-level government officials were indicted for narcotics-related corruption in 1991. If the GOH intends to prevent and punish public corruption, it is clear that it must enhance enforcement and legal measures.

Agreements and Treaties. The GOH is a signatory to the 1961 Single Convention on Narcotic Drugs and the 1971 Convention on Psychotropic Substances, but has not yet signed the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Although a 1905 Extradition Treaty is in force between the USG and GOH, it does not specifically address narcotics offenses. Moreover, the 1905 Treaty does not obligate the parties to extradite their own nationals, and Haiti's constitution forbids the extradition of its citizens. The GOH has cooperated with USG officials in deporting American and third-country national fugitives to the U.S. Haiti deported two persons to the U.S. in 1991.

Domestic Programs. A four-day, International Narcotics Matters (INM) workshop sponsored by the State Department's Bureau was held in Port-au-Prince in March, which provided the first occasion in which government officials, communications and public health professionals, educators and service providers could collectively address demand reduction in Haiti. A USAID-funded national study of drug consumption and attitudes towards drug use in Haiti was completed in April. The Association for the Prevention of Alcoholism and Other Chemical Dependencies, assisted by USAID, supported a wide variety of demand reduction activities. Additional programs and resources will be required to achieve significant results.

IV. US Policy Initiatives and Programs

U.S. Policy Initiatives. U.S. goals and objectives in Haiti are to support host government efforts to eliminate the flow of drugs from source countries through Haiti and into the United States, and to enhance institutions which are essential for the long term success of this campaign. Through USAID, an Administration of Justice project was designed to strengthen the judicial system, promote human rights and foster development of a professional and efficient legal system. Since the coup, however, cooperation has virtually ceased.

Bilateral Cooperation. Until the coup, the GOH cooperated with USG law enforcement agencies and allowed pursuit of suspect aircraft and ships into Haitian airspace and territorial waters. A bilateral Letter of Agreement (LOA) signed in August provided for joint support of host government counternarcotics projects by granting additional resources to the CIC and NNB. Because of the coup, however, the USG has not implemented this LOA.

The Road Ahead. The degree of USG cooperation with the GOH is dependent upon Haitian willingness to move vigorously against the drug trade. When the USG resumes narcotics assistance, support will be provided for training, communications, vehicles, equipment, offices, and other support to advance a range of narcotics law enforcement activities (e.g., interdiction, financial investigation, drug prevention, and judicial enhancement programs). The USG would also encourage the GOH to ratify key treaties and agreements, and address such vital issues as judicial reform and narcotics-related corruption.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990 [a]	1989	1988
Seizures						
Cocaine	[mt]	*1.00*	0.23	0.87	2.47 [b]	1.38
Marijuana	[mt]	*0.5*	0.33	0.05	0.04	0.00
Arrests						
Nationals	persons	*225*	na	149	127	10
Foreigners	persons	*25*	na	6	8	18
Total Arrests		*250*	200	155	135	28
Users (thousands) [c]	persons	*475*	450	250	250	250

(a) January-October 1990

(b) The 1989 cocaine seizure figure was changed to include 918 kg seized in October 1989, but not reported.

(c) Previous year's INCSR's have incorrectly included alcohol abusers with illicit drug users. The 250,000 figure shown for all years is a rough estimate of drug usage.

1/30/92

JAMAICA

I. Summary

Jamaica is a marijuana producing country and a transit point for cocaine from South America. During 1991, Government of Jamaica (GOJ) law enforcement and port security organizations worked with the U.S. Drug Enforcement Administration (DEA) to interdict cocaine, disrupt and destroy illicit drug distribution and trafficking networks, and target, arrest, and prosecute traffickers. However, the number of arrests and the amount of cocaine seized in 1991 declined from 1990 levels, although marijuana seizures increased. A U.S. National Guard temporary radar station in western Jamaica monitored suspect aircraft from August to October, resulting in arrests and drug seizures in three countries.

The GOJ brought the staff of the Jamaican Joint Information Coordination Center (JICC) to its full complement of ten during 1991, enhancing its collection and exchange of narcotics-related information with the USG. The GOJ signed a "supercarrier" agreement obligating Air Jamaica to institute security measures against drug smuggling aboard its aircraft and ratified an updated extradition treaty with the USG. Harvestable cannabis cultivation was down 22 percent from 1990 levels, as a result of decreased planting and continued and effective GOJ eradication efforts assisted by USG aviation support. There was also a significant increase in the amount of marijuana interdicted. Private sector organizations continued education and awareness programs.

II. Status of Country

Jamaica is a traditional source country of marijuana destined for the U.S., Canada, and Europe. Jamaica's long coastline and thinly stretched security forces provide nearly ideal conditions for drug traffickers. Airborne traffickers take advantage of Jamaica's illegal and legal airstrips and, to some extent, use aviation fuel purchased by legitimate buyers but resold to traffickers. Maritime traffickers use pleasure boats and commercial fishing and cargo vessels to smuggle marijuana.

The island also plays a role as a transshipment point for South American cocaine en route to the U.S. Jamaica's position astride the maritime routes from Central and South America makes it a good way station for vessels carrying cocaine from South America.

Couriers concealing marijuana or cocaine on their bodies or in luggage (usually about one kg of cocaine or 2-4 kg of marijuana) are arrested daily at Jamaica's two international airports. Traffickers also hide

marijuana, and sometimes cocaine, in containerized cargo shipments of legitimate exports. U.S. Customs has levied numerous fines against airlines for marijuana found aboard U.S.-bound flights from Jamaica.

Money laundering does not appear to be a major problem in Jamaica. The removal of foreign exchange controls in September, however, may make Jamaica more attractive to money launderers.

USG information indicates that the production and transit of precursor chemicals in Jamaica are negligible.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The USG-GOJ bilateral narcotics control agreement specifies that the GOJ will eradicate illicit drug crops, conduct enforcement and interdiction against drug trafficking, and implement an ongoing demand reduction program. Complying with the terms of this agreement, the GOJ has pursued active programs in all these areas. The GOJ's cannabis eradication goal in 1991 was 1,000 ha.

Accomplishments. The Jamaica Defense Force (JDF) and Jamaica Constabulary Force (JCF) committed personnel to cannabis eradication in "Operation Buccaneer VII," Jamaica's annual marijuana control campaign, which began this year in November. The GOJ manually eradicated 833 ha of cannabis and destroyed 726,303 seedlings and plants. Although the "Operation Buccaneer" effort fell short of its goal of 1,000 ha, the harvestable cultivation for 1991 was reduced 22 percent from 1990 levels because there was also less cannabis planted. USG-funded helicopters supported JDF/JCF eradication efforts for about three months in 1991. With USG assistance, the Minister of National Security observed aerial spraying of cannabis in Hawaii and consulted with USG officials on its effectiveness and its impact on the environment.

The GOJ brought the manpower of its Port Security Corps (PSC) to 900 in 1991. GOJ forces seized 60 kg of cocaine, 43 mt of dried marijuana, and 171 liters of hashish oil during the year.

The August-October temporary installation of a U.S. National Guard radar station in western Jamaica to identify suspicious aircraft resulted in the confiscation by law enforcement agencies in the U.S., Mexico, and Guatemala of four aircraft and numerous vehicles, seizure of 3,400 kg of cocaine, and numerous arrests. A more permanent U.S. military radar installation began operating in November.

The GOJ brought the staff of the JICC to its full complement of ten during 1991, enhancing its data collection and its exchange of narcotics-related information with the USG.

Law Enforcement Efforts. Jamaica is a member of Interpol and participates in conferences and information sharing on international narcotics criminal activity. The DEA has an office in Jamaica and receives excellent cooperation from its Jamaican counterparts.

GOJ law enforcement and security personnel, in cooperation with the U.S. Embassy's DEA office, stepped up interdiction at Jamaica's air and sea ports. In 1991, Jamaican authorities arrested hundreds of narcotics smugglers and over 60 dealers, including the December 10 arrest of six traffickers who were members of a major cocaine/marijuana trafficking organization.

Although the government seeks to improve the nation's criminal justice system, its budget is under-funded and it lacks proper facilities and adequately trained personnel. The USG is assisting through an administration of justice program aimed at upgrading physical facilities in the court system and providing legal resource materials.

Corruption. Jamaica does not, as a matter of government policy, encourage or facilitate the production or distribution of illicit drugs or the laundering of drug money.

Jamaica has laws against bribery and other forms of public corruption which are applicable to narcotics cases. However, low salaries make security force personnel engaged in anti-narcotics activities vulnerable to bribery. The GOJ takes some action on corruption cases, but it continues to be a problem.

To the knowledge of the USG, no senior GOJ officials are engaged in the production or distribution of drugs or laundering of proceeds of the drug trade. Traffic in precursor chemicals is negligible.

Agreements and Treaties. Originally signed in 1983, an extradition treaty between the USG and the GOJ entered into force on July 7, 1991. This treaty replaced the USG/UK extradition treaty of 1931. It is premature to assess whether extradition procedures will improve under the new treaty. The GOJ cabinet gave preliminary approval to the Mutual Legal Assistance Treaty, signed by the USG and Jamaica in 1989, and referred it to the parliamentary counsel for drafting of implementing legislation in 1991. The GOJ signed but has yet to ratify the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The cabinet has ordered the drafting of legislation on asset seizure and money laundering, a prerequisite to ratification. The USG and GOJ in December signed a "supercarrier agreement" obligating Air Jamaica to institute security measures against drug smuggling aboard its aircraft. The terms meet the exacting standards set by U.S. Customs.

Cultivation and Production. Jamaica is a producer of cannabis, grown year-round and throughout the island. Traditionally, it has been harvested in two seasons (five- to six-month cycles) each year, with yields of about.675 mt per ha. As a result of successful eradication campaigns since 1987, large-scale cultivation (plots larger than two ha) has practically ceased. Most cannabis is now grown on plots of one acre or less in remote sites in the highlands, often accessible to eradication teams only by helicopter.

Jamaican marijuana farmers grow two varieties of cannabis; both the commercially more desirable sinsemilla, a high potency, unpollinated female plant, and indica. To counter the government's eradication efforts, farmers have largely discontinued drying the crop in huts adjacent to their plots, and now generally remove all cut marijuana to several different locations for drying and packaging. Intensified eradication activities are forcing farmers to harvest their crop before it reaches full maturity, resulting in a significant increase in hashish oil production. The hashish oil laboratories on the island, however, are unsophisticated.

Crop size is determined by aerial surveys conducted throughout the year, island-wide. The average yield is estimated by multiplying the number of hectares by .675 (ha x .675 = mt).

GOJ forces, with USG support, eradicated 833 ha of cannabis in 1991, less than 1991's target of 1,000 ha. While eradication in 1991 was less than in 1990, GOJ efforts to discourage crop expansion resulted in a net cultivation figure of 950 ha, a net decrease of 22 percent. Assuming that expansion can be checked, cultivation for 1992 should be reduced by another 20 percent.

The campaign to encourage marijuana farmers to turn to legitimate crops appears to be successful. Local farmers in an area of central Jamaica told the National Council on Drug Abuse (NCDA) in August that GOJ eradication efforts had led them to seek alternatives to cannabis cultivation. The farmers and the NCDA are developing a plan to replace cannabis with legitimate crops.

Demand reduction. The NCDA was designated by the GOJ to develop an overall plan for drug education and rehabilitation. The NCDA's "integrated demand reduction plan" calls for society as a whole to attack the problem of drug abuse and preserve the role of family and community. The NCDA asks communities what their worst problems are, attacks them in cooperation with local authorities, and integrates demand reduction into the program.

The Private Sector Organization of Jamaica (PSOJ) in April opened an outpatient drug treatment facility called the "Freem n Project." Two additional drug treatment facilities have been established in Jamaica: the Richmond Foundation's Patricia House Treatment Center (funded by the European Community) and the Salvation Army's William

Chamberlaine Rehabilitation Center. A detoxification unit at the University of the West Indies Hospital was dedicated by Prime Minister Manley in March. Two model drug-free youth centers were established, with USG support, in Kingston and Christiana.

IV. U.S. Policy Initiatives and Programs:

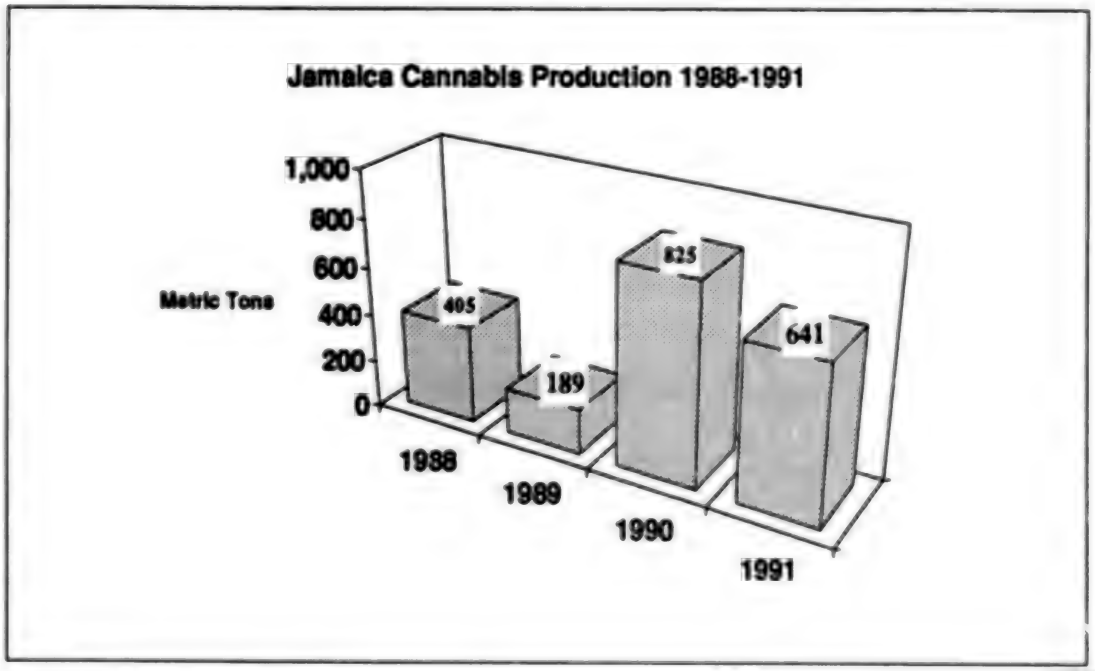
The Road Ahead. USG efforts will focus on the interdiction of cocaine, disruption of cocaine smuggling networks, and enhancement of the GOJ's ability to counter cocaine trafficking. The USG will urge the GOJ to destroy illegal airstrips used for drug trafficking. We await a response from the GOJ on the use of more efficient cannabis eradication methods, including aerial spraying. Public diplomacy and demand reduction efforts will support community-based organizations and activities that build institutional capabilities and political support for GOJ counternarcotics efforts. USAID will continue to collaborate with USIS and the GOJ in intensifying public awareness campaigns which inform Jamaicans of the adverse affects of drugs, with emphasis on crack cocaine. Additionally, USAID will continue to assist the NCDA in its efforts to improve the capability of the Jamaican public and private sectors to develop and implement drug awareness, education and prevention programs aimed at high-risk groups, primarily youth between 12 and 25 years of age.

In 1992, the USG intends to supply patrol vessels to improve Jamaican Coast Guard interdiction operations. It will also provide the JCF Narcotics Division with vehicles and surveillance, forensic, and communications equipment to improve its capabilities to disrupt drug trafficking and to build legal cases against traffickers. The GOJ will upgrade Port Security Corps' training and increase its manpower by 100. We will also continue to support the GOJ cannabis eradication program. Maximum achievable eradication is set at 1,000 ha for 1992. Through public education and awareness programs, we will seek to increase the number of Jamaicans who view drug abuse as a serious problem in Jamaica.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
CANNABIS						
Harvestable Cultivation	[ha]	*500*	950	1,220	280	607
Eradication	[ha]	*1,000*	833	1,030	1,510	650
Cultivation	[ha]	*1,500*	1,783	2,250	1,790	1,257
Potential Yield /a	[mt]	*337*	641	825	189	405
Seized in-country	[mt]	*25*	43	29	38	53
Consumed in-country	[mt]	-	-	-	-	-
Exported						
USA	[mt]	*1*	1.8	-	-	-
Elsewhere	[mt]	*2*	2.8	-	-	-
Seizures						
Cocaine	[mt]	*0.10*	0.06	0.76	0.13	0.01
Marijuana	[mt]	*25.00*	43.00	29.00	38.00	0.53
Hashish Oil	[ltrs]	*140.00*	171.00	-	-	-
Arrests						
Nationals		*4,000*	4,353	4,908	2,956	3,100
Foreigners		*500*	674	524	638	625
Total Arrests		*4,500*	5,027	5,432	3,594	3,725

(a) Yield is based on 675 kilograms per hectare.



SURINAME

I. Summary.

In recent years, Suriname has become a significant transshipment point for the movement of cocaine and heroin from South America primarily, but not limited, to Europe through the sea and airports of the Netherlands. It is also a conduit for precursor chemicals from European sources of supply destined for processing facilities in coca source countries in South America. Suriname thus far has not been a major supplier of narcotics to the U.S. Narcotics-related corruption has taken on serious proportions in Suriname, and leading traffickers reportedly enjoy the protection and active cooperation of its politically powerful military. Civilian government officials announced in 1991 their intention to toughen narcotics laws, increase law enforcement capabilities, and heighten international cooperation against narcotics. However, practical measures to meet these objectives have yet to be implemented. USG narcotics control cooperation with Suriname will remain limited due to the inability of the government to engage in meaningful enforcement action and to control its military, some of which is engaged directly or indirectly in narcotics trafficking. In 1991, there was no USG-funded narcotics control assistance to Suriname.

II. Status of Country

Suriname is attractive to narcotics traffickers as a transshipment point because its military commanders, the de facto government in the interior of the country, allow traffickers to operate freely. It is also close to production countries and has porous borders, numerous remote airstrips, an unprotected coastline, navigable rivers, and a vast, uninhabited interior. Moreover, since the outbreak of an insurgency in 1986, most of the interior has been off-limits to the civilian police. Whatever authority is exercised is wielded by a number of so-called "illegal armed groups". These are members of the National Army and armed Amerindians who man check points and are widely assumed to participate in or abet drug trafficking.

Well-established trade and transportation links with Suriname's former colonial power, the Netherlands, and a large Surinamese population residing there work to the advantage of traffickers seeking a foothold in the expanding Western European illicit drug market. Some 200,000 Surinamese now live in the Netherlands, and some receive and distribute narcotics.

Traffickers are also aware that Suriname's judicial system, law enforcement apparatus, and customs inspection regime are all weak. Narcotics shipments exit Suriname principally by commercial air and sea transport and by non-commercial boats.

Suriname does not appear to be a significant narcotics producing country. Reports of cocaine processing in the interior remain unsubstantiated. Cannabis grows in the interior, some of it on relatively large farms for export to countries in the region, including the U.S. The soft nature of Suriname's currency and its small financial market appear to work against the use of Surinamese banks for money laundering, although there are indications that money from narcotics trafficking might be present within the banking community. There are allegations that traffickers have used the Central Bank to assist foreign banks and corporations evade reporting requirements.

III. Country Action Against Drugs in 1991

Policy Initiatives. In July, the interim regime brought to power in the 1990 military coup announced the formation of a Narcotics Commission that it charged with consulting with "foreign experts" on controlling illicit narcotics. The regime also declared its intention to improve the training and equipment of law enforcement personnel. However, it had done little to implement such a program by the time it was succeeded by a democratically elected government in September. In October, the new Minister of Justice announced a number of measures intended to combat narcotics trafficking: the government would seek assistance from and cooperation with the U.S., France, the Netherlands, Venezuela and Brazil; reform the country's narcotics laws; and strengthen the Police Narcotics Brigade.

Accomplishments. The new government's initiatives have only just begun. At the end of 1991, the Minister of Justice was considering the expansion of the Police Narcotics Brigade from its current level of 13 police to 25. Although a Judicial Cooperation Agreement with the Netherlands remained suspended, the new government signed a protocol with the Netherlands in November which referred to future cooperation against narcotics trafficking both bilaterally and with unnamed third countries. A Dutch technical assistance delegation visited Paramaribo in December to assess Suriname's enforcement and judicial needs. The government also has initiated discussions with the USG and Brazil on enhanced narcotics control cooperation.

Law Enforcement Efforts. Despite government pledges to boost its size and capabilities, the small Police Narcotics Brigade remained ill-equipped to carry out this task. At the beginning of the year, the Brigade was still recovering from the flight of a number of its members from Suriname following the 1990 murder of a police inspector who was investigating several drug cases. The Brigade suffered a further setback in November when fire destroyed its offices.

Of the other two agencies responsible for enforcement of drug laws, the Customs Service is ill-equipped, understaffed, and inadequately

trained. The reliability of the Military Police has been called into question because of widespread concerns about the alleged involvement of key military figures in narcotics trafficking. For a time in 1991, government officials (including the Military Police) seized significant quantities of cocaine at Suriname's international airport and arrested a number of couriers. However, it became apparent that most criminal cases concerning local seizures and arrests were not leading to convictions, even of low-level drug suspects. This may have been because of corruption among public officials and to what judicial officials labeled in 1990 an "atmosphere of fear and intimidation," in which prosecution of criminal cases, particularly those involving military personnel, was rendered impossible. The same atmosphere prevented investigations in cases stemming from major seizures of cocaine outside of Suriname.

Corruption. Suriname has not taken adequate measures to prevent and punish drug-related corruption, largely because of this atmosphere of intimidation. For all practical purposes, military personnel are above the law. There are credible reports that high-ranking members of the Armed Forces are involved in trafficking or provide protection for lower-ranking figures. Drug-related corruption reportedly extends to elements of the Police and the Customs Service, to state companies, including transportation firms, and to the private sector.

While government policy does not encourage or facilitate the illicit production or distribution of drugs, or the laundering of drug money, by the government's own admission, it cannot effectively discourage or impede narcotics production and distribution or money laundering.

Agreements and Treaties. Suriname has anti-drug agreements with Brazil, Venezuela, and Guyana, but they have achieved few practical results. Suriname has no anti-drug or judicial cooperation agreements with the Netherlands or Belgium, where the bulk of Surinamese narcotics exports are shipped, as evidenced by the considerable quantities of cocaine from Suriname seized in recent years in those countries. Suriname has no narcotics agreement with the U.S.

Extraditions between the U.S. and Suriname are governed by a convention between the U.S. and the Netherlands signed in 1887, which was extended to cover the Netherlands' island possessions and colonies in 1904. When Suriname became independent in 1975, it declared its intention to accept the rights and obligations of this and other agreements. There have been no recent extraditions between the U.S. and Suriname.

Suriname is not a member of the OAS Inter-American Drug Abuse Control Commission (CICAD), nor has it yet ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which it signed in 1988.

Cultivation and Production. Cannabis is cultivated in interior areas, particularly in the east, southeastern and south central areas of the country which are largely jungle and sparsely inhabited. There are no systematic crop reduction programs in place.

Domestic Programs. In October, the Minister of Justice announced an intensive public relations campaign to warn youth of the dangers of drugs. The campaign and other longer-running efforts conducted by the National Council on Fighting Drugs, the Bureau of Alcohol and Drugs, and the Police use television programs, seminars, distribution of literature, and public appearances by officials. A number of agencies provide counseling and treatment, but Surinamese officials only recently acknowledged drug abuse as a significant social problem; they still assert that regular users number only in the hundreds.

IV. U.S. Policy Initiatives and Programs

USG policy objectives are to negotiate an anti-drug cooperation agreement with the Surinamese Government. The agreement would include the possible provision of material assistance and training for Surinamese civilian law enforcement agencies; permit the exchange of information to heighten cooperation between Surinamese and USG law enforcement agencies; and begin discussions about a possible Mutual Legal Assistance Treaty. The USG also intends to encourage Surinamese participation in regional and international bodies such as CICAD.

Although the USG had negotiated a letter of agreement on narcotics cooperation with the previous democratic government in 1990, that regime had not implemented the agreement before the military coup in December of that year. No progress was possible with the interim, pro-military regime, which repeatedly accused the USG of creating "drug conspiracies" aimed at discrediting military commander Desi Bouterse.

Officials of the civilian government which came to office in September have welcomed publicly cooperation with the U.S. on narcotics. Talks on specific means of cooperation are expected to begin shortly, including the possibility of training and material assistance. However, the USG will approach them cautiously, given the limited ability of the government to undertake meaningful counternarcotics activity and to control the military forces, some of which are involved in trafficking.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989
Seizures					
Coca Paste	[mt]	-	0	0.2	-
Cocaine	[mt]	-	0.137	1.023	-
Hashish	[mt]	-	-	0.034	-

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AFGHANISTAN

I. Summary

Afghanistan is the world's second-largest producer of opium, after Burma. The USG estimates of production dropped from 585 mt in 1989 to 415 mt in 1990, but rose to 570 mt in 1991. Production, which had dramatically decreased in Helmand Province in 1990, increased significantly in 1991. Production also expanded in Nangarhar Province, as well as in Bamian and Paktika. Accurate estimates and predictions of drug production, trafficking, and addiction inside Afghanistan are unobtainable, but reductions are not anticipated in the near future. The USG has no substantive contacts with the Afghan Government. U.S. officials have had mixed results in promoting counternarcotics efforts in areas held by the Afghan Resistance.

II. Status of Country

The Kabul regime has done nothing to curb drug production and trafficking in the limited areas of the country it controls. Media and other reporting indicate that regime officials, in both political and military circles, are involved in trafficking.

Most opium cultivation and processing occurs in the areas under Afghan Resistance control, and the local commanders' attitudes towards drugs vary considerably. A number are reputed to oppose narcotics on moral and religious grounds and to prohibit cultivation and trafficking in their areas. Some Resistance commanders appear to condone or actively involve themselves in the cultivation and trafficking of opiates in order to finance their forces. There are numerous local leaders, as well as local shuras (councils), who are not necessarily part of the Resistance or regime. Those groups may actively pursue opium poppy cultivation, or they may give tacit approval to its cultivation and sale because they are not able to provide an alternative means of livelihood. Unless there is a government in Kabul capable and willing to control opium production in the countryside, illicit trafficking and domestic addiction are likely to continue to increase in 1992.

III. Country Actions Against Drugs in 1991

In early 1990, the Afghan Deputy Foreign Minister proposed that a commission prepare "a joint comprehensive plan of action to eradicate illicit supply and trafficking of narcotic drugs" from the areas between Afghanistan and Pakistan. The commission would include

representatives of countries that border on Afghanistan, as well as representatives of the United States and of West European countries. There is no indication that the Afghan Government pursued this proposal in 1991 or took any other counternarcotics initiatives.

The regime's preoccupation with remaining in power through military and political means continues to take precedence over any other objectives, including narcotics control. In addition, recurrent reports indicate involvement of regime officials in narcotics production and trafficking. They also indicate that the regime has used narcotics as a form of payment, in some cases, and as a means of social control in others. Even if the regime had the will to curb the narcotics trade, it lacks control over the countryside and alternative means of livelihood to offer farmers.

Resistance field commanders control most of Afghanistan. While most concentrate on strengthening their military and political power and influence, a number have indicated a desire to reduce, if not eliminate, the cultivation and economic dependence on opium poppy production in their areas of control. Some have sought foreign assistance to do so. Religious leaders also have become more vocally opposed to narcotics as "anti-Islamic." Resistance commanders forced significant reductions in opium poppy planting in the Helmand Valley and various areas of the north in 1990. Production rebounded in Helmand during 1991, however, following the assassination of the major commander in that area. USG officials continue discussions with Resistance leaders to encourage their opposition to drug production and trafficking. They have urged Afghan Resistance organizations, such as the National Commanders Shura (NCS) and the Afghan Interim Government (AIG), to devote greater efforts to curtail narcotics cultivation and trafficking.

Lack of diplomatic relations with the Kabul regime, corruption, and the alleged involvement in narcotics production and trafficking by some regime officials and militia groups sharply limit the possibility of any counternarcotics progress with the Kabul government. Should the UN, with the support of the USG and other governments, succeed in replacing the current government, the U.S. would be better able to help curb illicit narcotics.

There are anti-narcotics provisos in all USG assistance agreements involving Afghanistan, and, as elsewhere, the USG is encouraging the UN and other relief and donor organizations not to provide assistance to opium poppy growing areas without opium poppy ban provisions. Implementation of any ban, however, remains dependent upon individual local leaders in the areas they control.

IV. USG Policy Initiatives and Programs

Policy Initiatives. The USG has no counternarcotics program in Afghanistan and the hostilities and absence of a functioning national government with which the USG could work continue to bar any comprehesive narcotics control efforts. However, USG assistance programs with individual local leaders in exchange for opium poppy elimination could yield positive results. Expressions of interest to eliminate opium poppy production by some commanders and Resistance leaders and the experience gained from a pilot project in Nangarhar suggest opportunities for small projects when the security and political situation permit.

Accomplishments. The USG has continued to urge Resistance leaders to prevent opium production, but there have been no significant anti-narcotics accomplishments.

Law Enforcement. There has been no cooperation between the USG and Kabul government in drug-related matters The absence of a central authority interested in or able to enforce narcotics control and the ineffective anti-drug efforts by the Resistance continue to place control for opium poppy production, smuggling and refining mostly in the hands of the local populations and individual Resistance commanders.

Corruption. Narcotics is intertwined with pervasive corruption in the Kabul government. Resistance drug traffickers also reportedly collaborate with Pakistanis involved in the drug trade. The USG believes that the Kabul regime and the Resistance are significantly infected by drug-related corruption.

Agreements and Treaties. Afghanistan is a party to the 1961 UN Single Convention on Narcotic Drugs, but not to the 1972 UN Protocol amending the Convention. It is a party to the 1971 UN Convention on Psychotropic Substances, but not to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Cultivation and Production. Opium poppy traditionally has been cultivated in Afghanistan for medical and culinary purposes. Because it is a hardy crop with a generally assured yield, opium poppy is regarded by many farmers as a dependable cash crop, albeit labor intensive during harvest. Over 90 percent of the estimated 570 mt production is divided between two growing areas--Nangarhar Province in eastern Afghanistan and the Helmand Valley in southwestern Afghanistan. Afghanistan's best opium poppy cultivation is in irrigated areas. Hashish is produced from cannabis which grows throughout Afghanistan.

Once hostilities in Afghanistan are significantly reduced, many displaced Afghans and refugees returning to Afghanistan from

Pakistan and Iran could turn to poppy cultivation, as they seek to rebuild a livelihood interrupted by more than eleven years of war and military conflicts. Continued fighting in Afghanistan and the lack of a legitimate central government thus far has prevented any massive return of refugees.

Narcotics trafficking continues to increase along the Iran-Afghanistan and the Afghanistan-Pakistan borders. Baloch and Pashtun tribesmen, who live in all three countries, have added narcotics to traditional contraband and consumer goods transported across national borders. Afghan opium is processed into heroin at laboratories, most of which are located across the Pakistan border in the politically "inaccessible" areas of the Northwest Frontier Province, Federally Administered Tribal Areas (FATA) and in some parts of Baluchistan Province.

Domestic Programs. Neither the government in Kabul nor Resistance commanders have devoted much attention to drug control programs. As noted above, some commanders and tribal leaders have tried to curtail cultivation of opium poppy with varying success.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]		17,190	12,375	17,790	23,000
Eradication	[ha]		-	-	-	-
Cultivation	[ha]		17,190	12,375	17,790	23,000
Potential Yield	[mt]		570	415	585	750
Refining, Seizures and Arrests /a						

(a) No information concerning heroin or hashish refining, or drug seizures and arrests, is available

INDIA

I. Summary

A longtime major transit country for heroin, India has gained attention as a producer of heroin through diversion from its licit opium industry as well as illicit cultivation in the past few years. Domestic addiction to opiates and heroin and drug corruption are increasing. Greater Government of India (GOI) policy-level attention and resources are needed to address India's growing narcotics transit, production and abuse problems.

II. Status of Country

Geographically situated between the world's two largest opium producing areas, India has traditionally been a transit country for illicit narcotics produced in Afghanistan, Pakistan and, more recently, in Burma. This traffic, destined primarily for Europe, and secondarily the U.S., increased when the Iran-Iraq war disrupted traditional land trafficking routes to Turkey. Much of this heroin was re-exported from India, often through Bombay. But the increased volume, as well as the vastly expanded Southeast Asian heroin production, resulted in increased heroin addiction in India.

India is the world's largest producer of licit opium for pharmaceutical purposes. It is also a producer of illicit narcotics, both from diverted licit opium and illegally cultivated opium. Although most diverted narcotics are believed to be consumed domestically, there is some evidence that Indian criminal organizations are linking up with international trafficking networks to supply European and US markets.

Diversion occurs from licit opium crops in the states of Madhya Pradesh, Rajasthan, and Uttar Pradesh; this is probably the primary raw material for the heroin produced in India. Illicit opium cultivation occurs in both Uttar Pradesh and the frontier areas of the northeast. Indian-produced acetic anhydride (AA) provides the essential chemical for illicit labs converting opium into heroin. No. 3 Heroin or "brown sugar" remains the drug of choice among addicts, except in the northeast state of Manipur, where rampant intravenous use of Burmese-manufactured No. 4 (injectable) Heroin has led to a high HIV-positive infection rate. Indian-produced "brown sugar" is readily available in neighboring Bangladesh, Nepal and Sri Lanka.

III. Country Action Against Drugs in 1991

Policy Initiatives. The Central Bureau of Narcotics (CBN), which is responsible for the licit opium industry, and the Narcotics Control Bureau (NCB), responsible for the coordination of illicit drug control, have not been given the fiscal or personnel resources required to have an effect upon the narcotics problems.

Accomplishments. We do not believe that the Indian Government's counternarcotics efforts have resulted in the maximum achievable reductions in production of illicit opium. A number of reasons account for this, including a lack of policy guidance, inadequate resources applied to the problem, and corruption among officials.

The GOI states that it eliminates illicit opium cultivation wherever found and arrests the farmers responsible. The GOI reports that it eradicated 513 ha of licit opium and 19 ha of illicit opium in 1991. The Indian media have carried accounts of GOI anti-drug agencies uprooting opium poppy plants in northeast India. Continued reports of diversion and illicit production, however, suggest that more can be done. As the USG does not provide any eradication assistance to the GOI, it is unable to obtain or provide a reliable estimate of maximum achievable reductions in production for the next fiscal year. Nevertheless, the GOI seems to have become more concerned with illicit opium production, and the USG expects improved counternarcotics measures in India within the coming year. The GOI faces a paucity of resources and budgetary restrictions which will continue to hinder its efforts.

The GOI has not augmented the staff of the Narcotics Control Board as it has intended since 1989. However, GOI officials have said that special narcotics courts, mandated by the 1988 drug law to provide quicker trials for drug traffickers, have been established in Maharashtra State. Others in West Bengal reportedly have been authorized, but are not yet operating. We understand that funding for the narcotics courts remains a problem.

Heroin seizures reported by the GOI amounted to 555 kg in 1991, down from 2,193 kg in 1990. Similarly, seizures of illegal opium declined for the third straight year to 1,544 kg. The GOI attributes this decline to a reduction in overall levels of drug trafficking through India caused by a reopening of traditional routes across Iran and Turkey into Europe. The 1991 UN International Narcotics Control Board (INCB) report reiterates that conclusion.

The GOI issued regulations controlling the sale or distribution of AA within 50 kilometers of the Pakistan-Indian border after Indian AA was found to have been smuggled into Pakistan to replace chemicals seized

by the Government of Pakistan. The GOI already had controls on AA within 100 kilometers of the Burma-Indian border. While those measures are welcome, other information indicates that the smuggling of AA into Pakistan and Burma continues. The GOI states that nationwide controls over AA to prevent diversion during manufacture, distribution or export are not possible.

Law Enforcement. The GOI claims that new NCB prevention units were established in Rajasthan and in Uttar Pradesh in 1991, but there have been no reports yet of their activities. No other new law enforcement measures were enacted. Competing and occasionally overlapping jurisdictions of law enforcement and other governmental agencies obstruct effective measures against international and domestic traffickers, illicit cultivators, heroin laboratory operators, or licensed licit farmers diverting part of their yield. Eradication of illicit opium cultivation and seizures of heroin have decreased.

Although existing laws are adequate to conduct an effective counternarcotics program, stronger asset seizure, conspiracy, and money laundering regulations, consistently applied, would strengthen the GOI's efforts to curb international trafficking organizations.

Extradition of fugitives between the U.S. and India currently takes place under the U.S.-UK Extradition Treaty of 1931, which became applicable to India in 1942. Neither the USG nor the GOI have made any drug-related extradition requests recently.

Corruption. Corruption among law enforcement and government officials at various levels and local politicians remains a widely alleged but seldom prosecuted phenomenon. The USG receives reports of public corruption from both media and other sources. We cannot verify these reports fully or independently; however, there is reason to believe that corruption significantly diminishes GOI counternarcotics effectiveness. The GOI maintains its willingness to prosecute corrupt officials, but has seldom done so.

Agreements and Treaties. The U.S.-India Bilateral Narcotics Agreement of 1990 outlined areas for cooperation in the drug field. India is a party to the 1961 United Nations Single Convention on Narcotic Drugs, the 1972 UN Protocol Amending the Single Convention, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Cultivation and Production. India is the world's largest producer of licit opium for pharmaceutical use. Unlike other narcotic raw material suppliers, the Indian industry produces only opium gum. In 1991, the GOI licensed 140,000 farmers in the states of Madhya Pradesh (M.P.), Rajasthan, and Uttar Pradesh (U.P.) to grow poppy on plots of one-tenth of a hectare. Each licensed farmer must sell to the GOI a minimum of 3.4 kg of opium at 70 degree consistency (30 per cent moisture) in M.P. in Rajasthan and 3.2 kg in U.P., in order to be re-licensed the following year.

The Finance Ministry, which operates the licit opium industry and its processing factories, is responsible for preventing diversion of licit opium into illicit channels. Security at the processing factories, which also stockpile opium prior to sale, is generally excellent with no reported leakage. The size of the stockpile shrank from 2,057 mt on March 31, 1990 to 1,541 mt on March 31, 1991. The GOI estimates that the stockpile will be 1,160 mt by March 31, 1992. Control over diversion into the black market at the farm level is less effective.

The 1990-91 licit opium crop collected by the GOI was 379 mt. There are reports that farm production exceeds the government's yield quota, and that farmers sell the excess to illicit buyers for more than 30 times the price that the GOI pays for licit opium. Unsubstantiated estimates on the amount diverted vary from 10 percent to 30 percent of the total crop.

The GOI has cut the acreage for licit poppy cultivation from over 66,000 ha in 1978 to just over 14,000 for the past two years, and is considering raising the minimum yield required of farmers to 3.8 kg per plot for the spring 1993, crop. If the GOI were to do so, only 11,000 ha require licensing in order to produce a crop of about 400 mt, which is the amount needed to maintain stockpiles to meet international licit demand. In an effort to eliminate diversion, the GOI has stated that it plans to increase the number of field inspectors and security personnel to monitor the opium harvest to ensure there is no diversion. Unfortunately, corruption reported at various levels in the licit opium industry and in the government could undercut increased security measures.

In addition to licit diversion, the Indian media has reported illicit poppy cultivation in remote mountainous areas, along borders in the northeast and in the north, as well as illegal fields in licit growing areas. Despite GOI efforts to curtail distribution of acetic anhydride in border areas, there are reports of heroin laboratories operating in northeast India. Neighboring Nepal and Bangladesh report readily available supplies of Indian-origin No. 3 Heroin.

Domestic Programs. There are no official statistics on the extent of opium and heroin addiction in India. Estimates of the number of addicts range from one to five million. The GOI is concerned about the growing number of heroin addicts, primarily, among urban workers and the middle class. Its estimates put the number of heroin addicts at approximately one million. The Health and Welfare Ministries, UN International Drug Control Program (UNDCP) and the Indian police support detoxification and rehabilitation centers. Non-governmental organizations implement demand reduction and public awareness programs, although they lack adequate funding and resources.

IV. U.S. Policy Initiatives and Programs.

U.S. Policy Initiatives. The objective of U.S. narcotics policy is to work with the GOI to focus political attention and resources on counternarcotics programs and to control heroin from or moving through India that enters the world market, primarily Europe, but also the U.S.

Specifically, our priority goal continues to be improved interdiction and control measures by the GOI to reduce heroin outflow from India to the U.S. A secondary goal is to curtail Indian manufacture and export of No. 3 Heroin, from both diverted licit opium and illegally grown opium.

Bilateral Cooperation. The GOI has an ongoing agreement with the UNDCP to improve interdiction and counternarcotics control programs, as well as to reduce demand. During 1991, USG-funded courses included maritime law enforcement and trainers courses for the Indian Coast Guard, seminars on money laundering, training for chemical analysts, and management courses for senior police officials. The U.S. Drug Enforcement Administration (DEA) office in New Delhi sponsored a November meeting of third-country, drug liaison officers based in India and Pakistan. Such meetings serve as a meeting ground for better narcotics cooperation between India and Pakistan.

DEA and the NCB have developed an excellent ongoing relationship, with exchange of information on narcotics matters and cooperation in controlled deliveries between India and the U.S., as well as other countries. The GOI has expressed interest in expanding bilateral dialogue and cooperation.

The Road Ahead. Better Indian drug interdiction would require the GOI to increase the resources it devotes to narcotics. This, however, is difficult at a time of budgetary stringency, when the IMF, the World Bank and bilateral donors press the GOI to reduce its budget deficit. Although India has limited resources for its many problems, the USG will continue to urge the GOI to allocate more funds to the NCB, to set up more special narcotics courts, and to explore the possibility of converting some or all of its licit production to the concentrated poppy straw (CPS) process.

The USG remains willing to cooperate with the GOI on counternarcotics issues. Our continuing dialogue with the GOI on narcotics has broadened the base of contacts and awareness of the issues involved.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
Opium						
Harvestable licit cultivation	[ha]	*14,000*	14,247	14,317		
Eradication (licit opium)	[ha]	*500*	513	289	1,270	1,000
Licit cultivation	[ha]	*14,500*	14,760	14,606		15,000
Illicit cultivation	[ha]	-	-	-	-	-
Eradication (illicit opium)	[ha]	-	19	24	99	20
Yield (Licit)	[mt]	*400*	379	437	480	600
Licit Stockpile	[mt]	*1,160*	1,540	2,057		
Seizures						
Opium	[mt]		1.54	2.19	4.70	2.80
Heroin	[mt]		0.56	2.20	2.70	3.00
Opiate Husk	[mt]		-	-	20.00	10.00
Morphine	[mt]		-	0.01	0.02	0.04
Marijuana	[mt]		-	39.10	54.50	17.40
Hashish	[mt]		4.27	6.40	8.20	7.50
Arrests						
Nationals			5,317	4068	5,485	1,810
Foreigners			93	234	205	208
Total Arrests			5,410	4,302	5,690	2,018
Labs Destroyed						
Heroin			-	12	8	3
Users (millions)						
Opium			-	4.0	4.0	4.0
Heroin			-	1.0	0.5	0.5

The statistics for 1991cover the period January 1- September 30. Source Indian Ministry of Finance.

2/17/92

IRAN

Summary

Reliable data on narcotics cultivation, consumption and trafficking in Iran has not been available since the break in U.S.-Iranian diplomatic relations. The small amount of information gathered during the past year usually came from the government-controlled media, and there is no way to confirm its veracity. However, Iran is affected by the huge production in Afghanistan and Pakistan, as are other countries in the region. Trafficking into Iran is from Afghanistan and Pakistan and onward to the West, primarily through Turkey. The breakup of the USSR may alter trafficking patterns.

II. Status of Country

There are estimates of at least two million drug abusers in Iran, or about four percent of the country's population. Traffickers are mostly citizens of Pakistan, Afghanistan and Iran, usually natives of Baluchistan which is divided by international borders among the three countries. Representatives of Iran and Pakistan met in 1991 concerning drugs and discussed agendas for future meetings, perhaps twice a year, to assess the progress of cross-border cooperation.

Smugglers take drugs to clandestine bases near the Helmand River in the Nimruz Province of Afghanistan and in the Chagai area of Pakistan. Consequently, the Islamic Revolutionary Corps has declared a "prohibited area" adjacent to the Iranian border with Afghanistan--the 120 km-long strip between Zabol and Kuh-e Malek Siah. The only official border check-point in Sistan va Baluchistan is the town of Mirjaveh, through which pass TIR (bonded) trucks from Pakistan. Since the cargos are sealed, the Iranian customs authorities do not perform thorough examinations of them. An indeterminate portion of the opiates cultivated in or smuggled through Iran move on to the West.

Iran has long been a significant conduit for the transshipment of illicit opiates produced in Afghanistan and Pakistan. Although the policies of the Iranian revolutionary government and near constant conflict over the past decade have disrupted traditional trafficking routes, narcotics smuggling through Iran continues. Drugs enter Iran from the east, including through the former USSR, and exit through its western border, mainly through Turkey or other countries in the Middle East. Laboratories producing morphine base and heroin operate in Kurdish-inhabited areas of northwestern Iran and Baloch sectors of southeastern Iran.

III. Country Actions Against Drugs in 1991

Drug abuse is considered to be a crime in Iran, as is the distribution of illicit drugs. Many abusers are sent to one of 17 drug rehabilitation centers for "labor therapy." Traffickers in possession of more than 30 gm of heroin or 5 kg of opium face the death penalty and the confiscation of all their property. Under law, the penalty can be carried out within two weeks of arrest.

The Ministry of Health and Medical Education, together with its research, welfare and other affiliated centers, is directly responsible for control over and the proper use of licit drugs. The Narcotics Control Administration and Drug Abuse Coordination Council collects data throughout the country and completes and forwards questionnaires and statistics to the United Nations. The Islamic Revolutionary Corps, under the Ministry of Interior, is directly responsible for law enforcement in all drug-related crimes and the protection of Iran's borders from drug smuggling. The highest official in the country responsible for combatting drug trafficking is the Commander-in-Chief of the Corps. In addition, each province has an Islamic Revolutionary Committee which fights drug trafficking as one of its priority tasks. The Iranian media asserts there is wide support and assistance from the local population for this effort. However, according to a broadcast on the exiled opposition's "Flag of Freedom Radio," the government itself is involved in drug trafficking. The opposition claims that the Islamic Revolutionary Committee distributes some of the confiscated drugs to addicts and minor drug-trafficking organizations, as well as to medical companies abroad. Neither government statements nor those of Iranian exiles can be independently verified.

The Iranian Government banned all opium poppy cultivation in 1980. Although the government insists that cultivation has been eliminated, there is credible evidence that production continues in remote areas of the country. There is no way to confirm or quantify annual production of illicit opium. Earlier estimates were in the 200-400 mt range.

Iranian nationals are involved in drug trafficking in Turkey, Europe and other countries in the Middle East. They have also expanded their activities to the United States. The U.S. Drug Enforcement Administration (DEA) reports that this is centered in Iranian communities in California, where about half of the drug arrests of Iranians since 1980 have been made.

The Iranian media frequently reports seizures of drugs and executions of traffickers. However, there are unconfirmed reports that some of these executions are for political reasons.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG has taken no narcotics control initiatives with Iran. Pakistan has been encouraged by the U.S. to cooperate with Iran to curtail trafficking across the Pakistan-Iran border from Baluchistan. A team from the United Nations International Drug Control Program (UNDCP) visited Iran in 1991; it also encouraged Iranian border cooperation with Pakistan.

Law Enforcement. The USG has no counternarcotics program in Iran nor is there any direct cooperation between the USG and the Iranian Government on drug-related matters, asset seizures or forfeitures. However, the USG has encouraged the Pakistan Baluchistan Frontier Corps to cooperate with Iran, whenever possible, to monitor border trafficking activities. The Government of Iran has presented anti-drug proposals at counternarcotics meetings of the Economic and Social Commission for Asia and the Pacific (ESCAP). It is believed that Iran would accept assistance from UN agencies to fight illicit traffic crossing its borders.

In 1991, Interpol reported that Iran had a major seizure of 5.4 mt of morphine base while, in 1990, only 1.4 mt were seized. Most seizures took place in northwestern Iran, a major staging area for opiates bound for Turkey en route to Western markets.

Corruption. The USG has no reliable information concerning drug-related corruption within the Iranian Government.

Agreements and Treaties. Iran is a party to the 1961 UN Single Convention on Narcotic Drugs, but not to the 1972 UN Protocol Amending the Single Convention or the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. There are indications in the United Nations that Iran is moving toward becoming a party to the 1988 UN Convention, as well as to the 1971 UN Convention on Psychotropic Substances. The U.S. has no bilateral narcotics agreement with Iran.

Cultivation and Production. The USG has no reliable information concerning cultivation or production in Iran.

Domestic Programs. Iran has continued to focus on its domestic narcotics problems and to apply severe penalties to producers and traffickers. Opponents of the government claim drug charges also are leveled against political opponents of the government. This cannot be verified.

Iran has held discussions on narcotics control with the former Soviet Union, Pakistan, and the UNDCP. In addition, government efforts to curb the flow of drugs across Iran's eastern border, initiated in 1988, were reported to be continuing. However, the USG has no reports of Iranian efforts to halt the flow of drugs into Turkey or on to Western markets.

V. Statistical Data There is no verifiable statistical information from the Iranian Government.

NEPAL

I. Summary

Nepal's open border with India and its proximity to Pakistan and Burma make it an alternate transit route for illicit narcotics from the Golden Crescent and Golden Triangle to Europe, other points in Asia and the United States. USG evaluations of the arrest of Nepalese and foreign traffickers or couriers reveal that some heroin is funneled into Nepal from India, from Pakistan through India, and/or from Burma, Thailand, and Hong Kong, and onward to Europe and the United States. There is no evidence of any significant Nepalese production of narcotics entering international markets. The May democratically elected Government of Nepal (GON) made significant commitments to enhance its narcotics control efforts, including closer law enforcement cooperation with other nations. The GON currently has under consideration a narcotics master plan drafted by the United Nations International Drug Control Program (UNDCP). It also has demonstrated a new level of cooperation with the United States and other countries.

II. Status of Country

South, Southwest, and Southeast Asian heroin continues to be smuggled into Nepal across the porous Indian border. The major domestic narcotics problem in Nepal is the abuse of heroin, primarily No. 3 Heroin or "brown sugar," which is smoked or injected by urban youth. Smugglers, often addicts themselves, typically bring that type of heroin into Nepal in small, 5-10 gm quantities across the Indo-Nepalese land border. Such "freelance" trade is independent of major international trafficking. Cultivated and wild cannabis grows throughout Nepal. The GON has undertaken crop destruction efforts in recent years, and the new government has pledged to increase those efforts.

Nepal is estimated to have 25,000 heroin addicts and casual users, although more reliable statistics are needed to document the size and location of the drug-abusing population. Recent studies indicate that heroin addiction among urban Nepalese youth is growing. Those statistics may result merely from an increased awareness of the problem, rather than an actual increase in the number of addicts.

III. Country Actions Against Drugs in 1991

In contrast with previous regimes, Nepal's new government has given significantly increased attention to narcotics control since taking

office in mid-1991. Support for that initiative crosses the political spectrum and is widespread. Both the Prime Minister and the Home Minister have declared publicly that their government gives narcotics control the "highest priority."

Law Enforcement Efforts. Under the leadership of the Home Minister, the GON has pledged to increase law enforcement cooperation with the United States and other countries, and currently has under consideration a narcotics master plan drafted by the UNDCP. The GON is expected to form a dedicated narcotics enforcement unit in early 1992. In 1991, Nepal ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It is currently revising its 1987 anti-narcotics law to conform to the Convention's requirements.

Several factors will continue to make the control of illicit narcotics in Nepal difficult. In the past, law enforcement priorities have not included narcotics. In addition, the great isolation and remoteness of much of Nepal's territory, poor communications and roads outside the Kathmandu Valley, and the lack of dedicated equipment and trained personnel further impede law enforcement.

Traffickers passing through Nepal generally remain in the airport transit lounge to await connecting flights. Without prior leads, the GON is unable to identify them nor does it have the legal authority to detain them without adequate cause.

The low number of heroin seizures is sometimes taken to mean that the volume of narcotics passing through Nepal is also small. However, Nepalese apprehension of drug traffickers or couriers from several nations--including Afghanistan, India and Nigeria--and of Nepalese in Australia, the UK, Germany, Hong Kong, and the U.S. during 1991 indicates that Nepal is used for international heroin operations.

Corruption. The GON does not encourage or facilitate the production or distribution of illicit narcotics as a matter of policy. No senior official was indicted for narcotics-related corruption in 1991, and the USG is unaware of instances of senior officials facilitating narcotics trafficking. The lack of incentives for police and customs officers to seize narcotics, comparable to the monetary rewards for discovery of smuggled gold, as well as inadequate training, remain obstacles to effective narcotics interdiction.

Domestic Programs. Nepal's domestic drug abuse prevention capabilities continued to improve in 1991. Official anti-narcotics efforts centered in the Ministry of Health drew considerable attention from the cabinet and members of Parliament. The Drug Abuse Prevention Association of Nepal (DAPAN), a new group of "journalists against

drugs", and several other private voluntary organizations (PVOs), expanded drug abuse prevention activities during the year, including publicity, education, and rehabilitation. For example, in September, the GON and these civic organizations sponsored a drug abuse prevention week, which included a media campaign, a series of well-attended public seminars, drug abuse prevention plays, and other activities in urban neighborhoods and rural villages.

IV. U.S. Policy Initiatives and Programs

The USG encourages GON policies against illicit narcotics. Support for GON activities by USG agencies in Nepal include work with members of the cabinet, Parliament, and police on adoption of the UNDCP narcotics master plan, coordination with other donor nations on effective bilateral assistance, anti-narcotics training, USIS Worldnets and other media programs, and a narcotics-oriented visit to the U.S. by the Home Minister in November. That cooperation helped bring a major international heroin trafficker to trial in the United States and has created a base for regular narcotics law enforcement cooperation between the U.S. and Nepal. The U.S. Drug Enforcement Administration has good working relations with the cabinet-level National Drug Control Section, the police, and Customs.

Effective, continuous operational cooperation should be forthcoming when Nepal establishes its dedicated narcotics enforcement unit and adopts the UNDCP master plan. Such cooperation should open the way for increased international resources and training--including support from the U.S.--that would lead to important seizures and cases. In the future, an extradition treaty and other legal mechanisms would facilitate closer USG-GON cooperation on counternarcotics issues.

Statistical Tables

TABLES for CY		1992 est.	1991 [c]	1990 [b]	1989	1988
Seizures [a]						
Opium	[mt]		0.001	0.001	0.002	0.000
Heroin	[mt]		0.002	0.003	0.007	0.004
Hashish	[mt]		0.062	0.399	0.210	0.178
Marijuana/Hem	[mt]		0.325	0.623	1.160	5.570
Cocaine	[mt]		-	-	-	0.000
Narcotics Arrests						
Nationals	persons		90	166	286	376
Foreigners	persons		17	27	48	102
Total arrests	persons		107	193	334	478
Heroin Users [d]						
Casual	persons		15,000	15,000		
Addicts	persons		10,000	10,000		
Total			25,000	25,000		

[a] Sources: Ministry of Home, Nepal Police, DAPAN
[b] Revised data based on information through December 1990.
[c] Data as of June 1991
[d] Very rough estimate by USG

1/28/92

PAKISTAN

I. Summary

The Government of Pakistan's (GOP) narcotics control efforts met with mixed success in 1991.

The courts convicted and sentenced two major traffickers, and initiated cases against four others. The Frontier Corps made multi-ton seizures of morphine base and hashish in Baluchistan, but no major traffickers have yet been implicated. Authorities raided three heroin laboratories in the Northwest Frontier Province (NWFP), but the government failed to take vigorous action against over 100 other heroin labs operating with impunity in the tribal areas of the NWFP.

In April, the government restricted the importation of the essential chemical acetic anhydride (AA), and, in December, criminalized its unlicensed transportation and possession. There are indications that those measures, together with a 19 mt seizure of the chemical in October 1990, continue to affect heroin supply.

The Government of Pakistan (GOP) expanded enforcement of the opium poppy ban to new areas; however, because of good weather conditions and consequently better yields, the opium poppy crop increased slightly in 1991.

Pakistan ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. In late fall, the GOP submitted to Parliament an amendment to the criminal code to permit the seizure of drug-related assets following conviction, regardless of the length of sentence. In December, the government issued limited ordinances to establish legal authority for USG-funded, special anti-narcotics investigative units, and to authorize court-supervised, pre-trial destruction of seized narcotics.

II. Status of Country

Pakistan remains both a producer and an important transit country of opiates and hashish destined for international drug markets. According to U.S. Drug Enforcement Administration (DEA) sources, approximately 20 percent of the heroin consumed in the U.S. originates in Southwest Asia, where Pakistan is one of the primary producers.

Despite improved and expanded government enforcement of the ban on opium poppy cultivation, favorable weather conditions increased opium

production in 1991 to 180 mt, a 15 mt or nine percent increase. The GOP, however, has committed itself to an overall reduction in the hectarage of the expected opium poppy harvest in 1992, and is undertaking more aggressive poppy-ban enforcement measures, which are likely to reduce opium production.

In the spring of 1991, the GOP raided three heroin labs in politically accessible tribal areas, but heroin and hashish processing continues virtually unhampered in the politically autonomous tribal areas of northwest Pakistan. The government has yet to apply its anti-drug laws to those areas, where most of Pakistan's illicit drug labs operate, and which, therefore, remain sanctuaries for heroin and hashish producers. The USG calculates that this area produces roughly 70 mt equivalent of heroin and hundreds of mt of hashish.

Pakistan is not a major center for international money laundering, although the widespread use of the informal financial sector to transfer funds internationally makes it extremely difficult to estimate how much narcotics-related money may be in Pakistan. As do most wealthy Pakistanis, major traffickers prefer to keep the significant portions of their funds overseas. While it appears that some funds generated from illicit activity find their way into the domestic banking system, there are reports that profits are mostly invested in local real estate and construction industries.

Pakistani addicts consume a large portion of the heroin produced in the tribal areas, and the growth of the addict population mirrors the explosive growth of the local heroin manufacturing industry. There were virtually no heroin producers or addicts in Pakistan in 1979; GOP and international experts now estimate that Pakistan has a heroin addict population of over one million. The government is gradually strengthening its demand reduction efforts, although the recidivism rate remains high.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The Nawaz Sharif government, like its predecessor, maintains that it narcotics control is a high priority. It points to the upgrading of counternarcotics efforts to the ministerial level, but fiscal restraints have made it difficult for the GOP to provide the new ministry with the budgetary and personnel resources required to make it fully effective.

There is an urgent need for Pakistan to develop a coherent strategy for all aspects of the national narcotics problem. Recently, a high level government committee was formed to draft a section on narcotics in Pakistan's next five-year development plan. The inclusion of anti-narcotics in the national development plan would justify and facilitate the allocation of financial and other resources for anti-drug activities.

Recognizing the inadequacy of its efforts in previous years, the Narcotics Control Ministry has increased its eradication efforts. The GOP has committed itself to achieve an overall reduction in the 1992 poppy harvest, through a no-tolerance policy in existing poppy-free areas and in areas covered by a 140,000 hectare expansion of the poppy ban. The senior civil servant in the Narcotics Control Ministry now chairs monthly meetings with senior NWFP officials to review enforcement progress.

Accomplishments. The Nawaz Sharif government has taken positive steps to combat in Pakistan. A significant achievement was the temporary disruption of heroin production, which resulted from the October, 1990 seizure of 19 mt of AA by Pakistan Customs in Karachi. The resulting shortage of that chemical, which is essential to heroin production, reportedly affected the availability of the drug in Europe and India. The government established import controls for AA in the spring. No doubt in reaction to the shortage of AA from the October seizure, and the new import restrictions, 4.5 mt of AA were stolen in May from a government storage facility. On July 17, Customs agents recovered virtually all of the stolen chemical. This resulted from a two-month investigation involving personnel from three ministries, supervised by the Narcotics Control Minister. In late December, the GOP criminalized the unlicensed transportation and possession of AA. In the meantime, there are tentative indications--high domestic heroin prices, the presence of morphine base, rather than heroin in recent seizures, and reports abroad of diminished seizures of Pakistani heroin abroad--that those developments have affected the supply of heroin.

The first demonstration of the government's stated resolve to pursue major traffickers was the July conviction of Anwar Khattak and Iqbal Baig. Each was given the equivalent of three-and-one-half year sentences, plus fines. The convictions have been appealed. The GOP initiated cases against Sakhi Dost Jan Notezai, the alleged owner of a large cache of drugs seized in 1990, as well as two members of the Baluchistan Provincial Assembly. The government is also pursuing the case of a former Provincial Minister, arrested in Karachi while trying to sell 50 kg of heroin. Other reputed traffickers, however, remain in the provincial and national assemblies.

The federal government, with USG encouragement, reinforced the initial interdiction and intelligence-gathering efforts of the Baluchistan Frontier Corps with additional operational funds and political support. In October, that support paid off with a seizure of approximately 3 mt of semi-refined opium derivatives and 37 mt of hashish; and possibly, a forced shift in trafficking patterns. No major trafficker has been prosecuted in connection with the Baluchistan seizure, although an investigation is producing leads.

The Nawaz Sharif cabinet approved three bills to improve the GOP's anti-narcotics capabilities. The first would strengthen asset forfeiture provisions in existing legislation; a proposed amendment would provide for seizure of the assets of drug traffickers, regardless of the length of sentence. Presidential Ordinances in December enacted two other bills for submission to the National Assembly. One would allow courts to supervise the taking of small samples of drug seizures as evidence in criminal cases, thus allowing the pre-trial destruction of the remainder. Such action would minimize potential diversion. The other bill would give the USG-financed, special investigative units the necessary "police powers" to open criminal cases, conduct investigations, and prosecute major drug traffickers.

In the spring, political authorities raided and shut down three heroin labs in the politically accessible areas of Khyber, and arrested their operators. Those raids, the first in several years, have not yet been followed by additional raids or prosecutions.

Law Enforcement Efforts. Law enforcement agencies in Pakistan continue to focus on the worsening public security situation throughout the country and on drug seizures, rather than on the prosecution of major traffickers or heroin manufacturers. Agencies lack both investigative experience and resources to follow up on seizures with case preparation. The Baig and Khattak convictions, and ongoing cases against traffickers, are exceptions and the work of determined Pakistani law enforcement professionals, rather than the result of institutional dynamics. They do demonstrate that the GOP has the potential to undertake effective action against the illicit drug trade. These tentative successes could easily be reversed, however, if the GOP fails to support investigations and prosecutions with adequate legal talent.

Corruption. Money derived from narcotics trafficking has affected Pakistan's economy and generated reports of drug-related corruption at various levels of the government. Poorly paid and poorly educated law enforcement personnel are susceptible to bribes from traffickers, who also are able to purchase higher-level political favors and influence in the government. Anti-corruption laws exist, but are not widely enforced, and no senior official has every been indicted for narcotics-related corruption. Nevertheless, the Chairman of the Pakistan Narcotics Control Board (PNCB) has taken steps to clean up that notoriously corrupt organization. He has replaced three of four regional directors, suspended nearly the entire staff at the PNCB office in Lahore, initiated disciplinary measures against dozens of other PNCB officials, and recruited new officers.

Agreements and Treaties. Pakistan is in compliance with the Chiles Amendment requirements through a series of agreements with the USG. It is a party to the 1961 UN Single Convention on Narcotic

Drugs, the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention Against Illicit Traffic of Narcotic Drugs and Psychotropic Substances, which it ratified in October. Senior GOP officials report that they are preparing a comprehensive narcotics bill, which they intend to present to the National Assembly in 1992. Pakistan has made no attempt to exempt any part of its territory from any of the provisions of those conventions. The GOP's failure to enforce its anti-narcotics laws in the tribal areas casts a shadow over its compliance with Article 36 of the 1961 UN Single Convention, which it ratified in 1965, and Articles 3 and 4 of the 1988 UN Convention. The GOP participates in the South Asia Association for Regional Cooperation (SAARC) Narcotics Control Committee, and the Cabinet has approved ratification of the SAARC Narcotics Agreement.

In July, Pakistan hosted a senior-level meeting of the Indo-Pakistan Committee to Combat Drug Trafficking and Smuggling, reviving a 1986 initiative to improve counternarcotics cooperation. Pakistani officials predicted additional meetings of the Committee on a semi-annual basis. Both Iran and Pakistan cooperate informally on narcotics interdiction, and in July, hosted the visit of a UN team exploring the feasibility of a United Nations International Drug Control Program (UNDCP) subregional project to improve the effectiveness of narcotics control cooperation between Iran and Pakistan.

Pakistan cooperated with U.S. law enforcement agencies, especially on cases involving the international movement of narcotics. The GOP continues to respond positively to extradition requests from the U.S. and other countries. In April, Pakistan extradited Zulqarnan Khan to the U.S., where he was wanted on heroin charges. Nasrullah Khan Henjra, also wanted in the U.S. on narcotics charges, was arrested in July by Pakistani authorities, pursuant to a USG extradition request. He remains in custody while his case moves through the Pakistani court system. The GOP continues to authorize DEA investigations, which have resulted in the arrest of several Pakistani traffickers in the U.S.

Cultivation and Production. The opium poppy cultivation belt is primarily in the tribal areas of the NWFP. The bulk of the opium poppy harvested in Pakistan (and Afghanistan) is converted into heroin in laboratories located in tribal areas of the Khyber Agency, southwest of Peshawar, and scattered in remote areas of Mohmand Agency and Baluchistan. Cannabis grows wild throughout the country, and is cultivated in Chitral and, perhaps, other areas.

Notwithstanding the government's year-by-year expansion of the opium poppy enforcement area, acreage under cultivation in 1991 was about the same as in the previous year. Cultivation continued to moved into more remote, nontraditional areas outside the range of governmental enforcement. The GOP generally enforced the poppy cultivation ban in

areas under its control, including new enforcement areas. It claims to have eradicated 438 ha, but some eradication took place after the opium gum had been extracted. Good weather conditions resulted in increased yields, totaling about 180 mt of potential raw opium. Upward manipulation of prices by heroin manufacturers and the change of government during the 1990-91 growing season also account for the increase in poppy harvested in 1991. National elections in 1990 hindered aggressive political work to discourage farmers from planting opium poppy before the sowing season.

Domestic programs. Pakistani and foreign experts estimate that there are 1.2 to 1.7 million heroin addicts in Pakistan, consuming an estimated 50 mt of heroin each year. About four percent of the male population (one of every eleven Pakistani males, over the age of 15) are believed to be drug addicts--a clear threat to Pakistan's future, and its security. There are 30 drug treatment centers in Pakistan with both inpatient and outpatient facilities. The vast majority of those centers, using the "cold turkey" method, coupled with treatment of withdrawal symptoms, appear to have a recidivism rate surpassing 90 percent. There are few treatment centers in the country which attempt rehabilitation. While there is a significant number of female addicts, there are virtually no facilities for their treatment.

The USG-funded Drug Abuse Prevention Resource Center (DAPRC) seeks to rectify the present GOP inadequacy in demand reduction. The DAPRC organized a media campaign to persuade farmers not to grow opium poppy, and in 1992, plans to launch a national media anti-drug campaign and to expand its support of volunteer agencies throughout Pakistan.

The UNDCP's integrated drug demand reduction project, co-funded by INM, has started to develop a curriculum to help teachers educate students about the dangers of narcotics and to improve the treatment of drug users by professional volunteer workers. The International Labor Organization has a regional project in aftercare and self-help services for ex-addicts, and the European Commission will fund an academic chair in narcotics issues.

IV. U.S Policy Initiatives and Programs

USG counternarcotics programs in Pakistan support four major objectives. The most important is the disruption of heroin production in the NWFP by encouraging the GOP to destroy heroin labs, and to arrest and prosecute their operators. The freedom of operation which these producers have enjoyed during the past decade is the root of Pakistan's drug problem.

Unhampered heroin production stimulates a market for opium, provides huge profits to traffickers and sustains the rapid growth of

Pakistan's addict population. USG programs support GOP interdiction efforts and encourage the GOP to arrest, prosecute and seize the assets of major traffickers. USG development programs in the NWFP are aimed at supporting GOP expansion of the opium poppy ban and the improvement of its enforcement. Working closely with the USG, GOP authorities, with senior-level political backing, have successfully deflected trafficker's efforts to use bribery and political influence to prevent extraditions. U.S.-Pakistan relations benefit from increased cooperation on counternarcotics. Such cooperation between DEA and GOP officials resulted in the 1990 seizure of 19 mt of AA, the establishment in April of a GOP administrative regulation controlling its importation, and the July convictions of Iqbal Baig and Anwar Khattak. The USG and GOP have agreed to work together to improve the effectiveness of Frontier Corps interdiction efforts in Baluchistan. The USG will contribute vehicles, communications gear and operational support. USG support has already resulted in an additional multi-ton seizure of heroin/morphine base and hashish, and a number of multi-hundred kg hashish seizures.

USG and GOP officials work together to ensure that USG narcotics control assistance goes to organizations which have demonstrated an ability and willingness to pursue major traffickers and their organizations. In this regard, the USG revised agreements with the Narcotics Control Ministry and Pakistan Customs. In law enforcement, assistance to ineffective organizations has been terminated and equipment and funds withheld from USG-financed, special anti-narcotics investigative units until they operate effectively. This approach resulted in the transfer of trucks, communications gear and operational support to the Baluchistan Frontier Corps, and will mean increased assistance to effective units of Pakistan Customs and other organizations involved in anti-narcotics activities.

In rural development and crop control, USG-supported projects are designed specifically to open politically inaccessible areas to enforcement of the poppy cultivation ban. Such emphasis is expected to result in an agreement to provide assistance to the Khyber Agency. Demand reduction assistance will be concentrated on larger-scale, professionally managed projects, such as the UNDCP Integrated Demand Reduction Project, aimed at potential addict populations.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]	*7,500*	8,205	8,030	5,850	11,590
Eradication	[ha]	*750*	440	185	810	1,708
Cultivation	[ha]	*8,250*	8,645	8,215	6,660	13,298
Theoretical Potential Yield	[mt]	*165*	180	165	130	205
HEROIN						
Theoretical Yield	[mt]	*16.5*	18	16.5	13	20.5
Seized in-country*	[mt]	*6*	6.00	6.46	8.54	6.00
Consumed in-country**	[mt]	*50*	50	50	50	50
Seizures* **						
Opium	[mt]	*8*	8.27	4.79	5.99	2.70
Heroin	[mt]	*6*	6	6.46	8.54	4.50
Hashish/marijuana	[mt]	*200*	200.00	240.60	106.30	80.00
Arrests	persons	*55,000*	55,000	38,645	54,041	45,000
Users (thousands)						
Opium/heroin	persons	*1,080*	1,080	1,080	1,200	1,080
Other Cannabis	persons	*1,000*	1000	580	580	580
Other Drugs	persons	-	-	50	50	50

*All 1990 figures revised. Opium seizure figure udated to reflect seizures of last quarter of 1990.

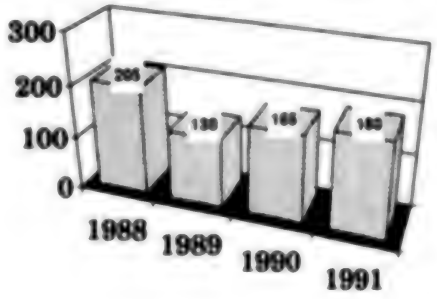
**The Embassy bases consumption estimates on an extrapolation from a 1988 study which estimated that Pakistan's 1.08 million heroin users consumed the equivalent of 50 mt of pure heroin, much imported from outside Pakistan. The figure is less than half the 112 mt estimate reported by Pakistani authorities in previous INCSRs.

*** 1991 seizures based on actual PNCB figures for January-September 1991. The Embassy has extrapolated for the last quarter.

Loss factor not included, since accurate estimate has not been determined.

****Gross cultivation data for 1990, 1989, and 1988.

Pakistan: Estimated Opium Production 1988-1991



SOUTHEAST ASIA

AND

THE PACIFIC

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BURMA

I. Summary:

Burma remains the world's largest source of illicit opium and heroin. Opium production has doubled since the September 1988 military coup and has remained at near-record high levels. Following the coup and the suspension of most foreign narcotics aid, the Government of Burma (GOB) sharply cut back on its counternarcotics law enforcement. The USG remains deeply concerned that the Burmese efforts against drug production and trafficking are not adequate or purposeful and have not measurably affected drug production or trafficking--both of which continue to increase. Seizures remain insignificant. The USG continues to urge the Burmese to move against major traffickers whom the GOB has not targeted. In many cases, these groups belong to ethnically based organizations allied with the Burmese regime. As a result of accommodations with the GOB, these former insurgent groups exercise security/militia functions--and continue to engage in the narcotics business with at least tacit government approval--in the areas under their control.

In 1991, the GOB publicly stated its commitment to combat narcotics and acceded to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Pychotropic Substances. It also took nominal steps to improve its drug control record. It reported increased enforcement efforts in Rangoon and northern cities and held public ceremonies to destroy selected heroin refineries voluntarily surrendered by drug trafficking groups. The GOB announced a longer term border area development program to develop certain former insurgent territories, to solidify government ties with former insurgent groups, and to induce drug-producing minority groups to renounce narcotics activities. The success of this program is uncertain since it lacks adequate economic resources to make it viable.

The USG currently provides no direct assistance of any type to the GOB, and bilateral counternarcotics cooperation is limited to working-level liaison between the GOB and the U.S. Drug Enforcement Administration (DEA). The USG is prepared to cooperate in drug law enforcement with the GOB on a case-by-case basis. An effective counternarcotics strategy in Burma would meld greatly enhanced law enforcement efforts, including opium eradication, interdiction, and prosecution of major traffickers with long-term development and crop substitution efforts. Given Burma's record, any U.S. support for such efforts would have to include access for monitoring project and operational areas, as well as a demonstrated Burmese commitment to attack drug production and trafficking by all groups in Burma.

II. Status of Country

Burma's opium poppy crop is cultivated mostly in rugged mountainous areas of the Shan State, especially by the Wa and Kokang Chinese ethnic groups. For decades, much of this remote area has been outside of central government control and dominated by insurgents or private armies that support themselves through the production or refining of narcotics.

Since 1989, the GOB has reached accommodations with Wa and Kokang ethnic groups by offering them development assistance and a measure of local autonomy in exchange for an end to their anti-government insurgencies. Although the GOB recently has stated this will lead to a phaseout of narcotics production and trafficking, it has conceded local security functions to these groups. Since the central government's military forces do not control these areas, the agreement has facilitated the drug trade and limited any potential enforcement efforts. Since 1989, the Wa have expanded their control of areas where much of Burma's opium is produced, enabling them to increase their heroin refining and trafficking operations.

While Thailand remains the primary outlet to the world market, an increasing flow of narcotics is exiting Burma via southern China to Hong Kong, through Rangoon and other Burmese cities toward Malaysia and Singapore, and through India and Bangladesh. Narcotics leave Burma in various forms, including opium, pitzu (impure morphine base), morphine base, impure heroin base, and Heroin No. 4.

III. Country Actions Against Drugs

From 1974 until 1988, combatting narcotics was an important GOB goal because narcotics revenues supported the insurgents, particularly the Burmese Communist Party (BCP). The BCP collapsed in 1989 and its forces divided into its ethnic Wa and Kokang components. The GOB's crackdown on the democratic movement, however, has made the drug situation worse. The military government's shift in 1988 of police and army resources from eradication and drug law enforcement efforts to suppression of domestic political opponents enabled traffickers to expand their opium cultivation, heroin refining, and trafficking. The largest increases in opium cultivation have occurred in those areas where the State Department's Bureau of International Narcotics Matters (INM) had funded eradication prior to 1988.

The GOB's accommodations with the Wa and Kokang also freed troops for other internal security duties. Anti-drug objectives were not included in the initial truce agreements with these former insurgents, but the GOB now claims these accommodations have permitted establishment of

border development programs designed to end these groups' reliance on opium for their livelihood. Some reports indicate, however, that as part of these accommodations, the GOB tacitly condones the expansion of the Kokang and Wa drug trade. Burma's military rulers appear to attach a higher priority to peaceful coexistence with these former insurgent groups than to combatting narcotics.

Meanwhile, poppy cultivation continues to expand. The USG estimated the 1989/90 crop to be about 2,250 mt and the 1990/91 crop to be 2,350 mt. Large narcotics refineries, which operate with impunity along the Chinese border, now produce significant quantities of heroin, but far less than their counterparts along the Thai/Burma border. The Kokang Chinese, while participating in incipient GOB-sponsored development efforts, have expanded their drug enterprises as well.

Early in 1990, the GOB began providing direct military support for the Wa's ongoing military operations against Khun Sa's Shan United Army (SUA), a powerful opponent of the government as well as a major drug trafficking organization. With Rangoon's support, the Wa enlarged their sphere of control to include a significant portion of the SUA's territory along the Thai border. The military campaign seems to have had no anti-drug results as areas of former SUA control were redistributed to the Wa traffickers.

Policy Initiatives. Until 1988, the GOB's stated policy was to reduce opium production; prevent the movement of opium from fields to processing centers and foreign markets; strike at refineries and trafficking organizations; substitute other forms of income for poppy cultivation; and reduce domestic demand. Now, however, the government asserts that there can be no long-term success against narcotics without rural pacification and economic development aimed at gradually developing alternative income sources for poppy growers. To this end, the GOB is seeking assistance from the UN in cooperation with Thailand and China. But given the GOB's preoccupation with internal security and its acceptance of local autonomy in the Wa and Kokang areas, the narcotics traffic will likely continue to flourish.

Throughout 1991, the GOB promoted its border development plan, largely in the Kokang area. In May, it officially recognized eight former insurgent groups -- key targets of these programs. Acknowledging that many of these groups remain major narcotics producers, Burmese officials maintain that they lack economic alternatives, which the still-embryonic border development program is supposed to provide. We agree that economic development is necessary, but must be coupled with strong law enforcement to reduce Burma's opium output. Expansion of the GOB's writ into the opium growing regions -- an unstated goal of the program -- will be slow and may ultimately be undermined by the arrangements Rangoon has struck with ethnic groups. By permitting ethnic insurgents to transform their armed forces into de facto militias,

the GOB has severely limited its ability to exercise law enforcement in these areas. Nevertheless, the GOB asserts that development and crop substitution programs will substantially end narcotics production in affected areas within six years.

Accomplishments. Before 1988, the Burmese had used military means to cope with the narcotics/insurgent problem. The realignment of military priorities since the civil unrest in 1988 has considerably diminished GOB pressure on both cultivators and trafficking groups. In 1991, however, the GOB again focused on Burma's narcotics production -- probably to deflect foreign criticism and to attract foreign assistance. Whatever the GOB's motives, in addition to acceding to the 1988 UN Convention, it did take some positive steps in 1991.

In January and May, the GOB publicly destroyed four heroin refineries surrendered voluntarily by Kokang traffickers, showcasing the events as achievements of its border development plan. Concurrently, it eradicated manually as much as 729 ha of poppy and burned 138 kg of heroin and 634 kg of morphine base. Though these efforts had minimal effect on overall narcotics production, the GOB depicts them as tangible evidence of the potential benefits from its long-range plans.

There has been increased enforcement activity by police narcotics task forces and military personnel in Rangoon and selected northern towns, with a concomitant rise in the local price of drugs. Nevertheless, according to GOB statistics, total drug arrests and seizures declined slightly from last year. The Burmese Army responded promptly to DEA intelligence on the location of narcotics refineries. On June 6, four Burmese infantry companies swept an area on the Burma/Thai border near Doi Ang Khang, destroying two inactive heroin refineries. Additional sweeps resulted in the seizure of an opium cache of 161 kg. In July, the GOB seized a shipment of 244 gallons of acetic anhydride.

Burma reached provisional agreement with China, Thailand and Laos to cooperate on narcotics. The UN and Burma have agreed to pursue a development and crop substitution program that will pair Burma with China and Thailand. Representatives from the UN Development Program, the International Fund for Agricultural Development, the UN Capital Development Fund, UNICEF, WHO and the UN International Drug Control Program (UNDCP) have made several trips to the Kokang and Kengtung areas to undertake initial program surveys and establish operational parameters.

Law Enforcement Efforts. Burmese anti-drug legislation is comprehensive, but not vigorously enforced. Burma's Narcotics and Dangerous Drug Act of 1974, amended in 1983, provides stiff penalties for every aspect of narcotics production, processing, trafficking and use. When narcotics offenders are caught and convicted, courts often impose

severe sentences. However, only low-level traffickers have been prosecuted; major drug figures continue to operate unhindered. The GOB has also set up a system of rewards for information leading to the arrest and conviction of users and traffickers or to the seizure of narcotics. Burmese anti-narcotics policies and activities are coordinated by the Central Committee for Drug Abuse Control (CCDAC), chaired by the Minister of Home and Religious Affairs. Six other ministries are also represented.

The main GOB enforcement agencies are the People's Police Force (PPF), the Burma Army (BA) and the Burma Air Force (BAF). Others involved in narcotics control are the National Intelligence Bureau (NIB), the Directorate of Defense Services Intelligence (DDSI), and the Bureau of Special Investigation (BSI). In 1988, the Burmese military assumed direction over narcotics control, but operational responsibility remains with the police.

The GOB claimed that it eradicated about 1,016 ha of opium plants in 1991, less than one percent of the estimated crop. Opium and heroin seizures, however, for the first nine months of 1991 were below those of the previous year. The GOB took no action against key personalities in the narcotics trade.

As noted, the GOB held two public exhibitions at which it destroyed a total of 138 kg of heroin, as well as other narcotics, drug paraphernalia and precursor chemicals. The GOB has acknowledged the USG's indictment of Khun Sa, but denies that a valid U.S.-Burmese extradition treaty exists. However, GOB spokesmen have declared Khun Sa a criminal under Burmese law and profess willingness to prosecute him if caught.

Corruption. Narcotics-related corruption remains a serious problem among local and field-level officials in Burma. Multiple, reliable reports confirm that lower-level civilian, police, customs and military personnel frequently acquiesce or participate in drug trafficking in exchange for monetary compensation. We cannot confirm periodic reports of senior-level drug involvement, although as noted above, the GOB clearly condones drug production and trafficking by ethnic groups with which it has reached an accommodation.

Agreements and Treaties. On June 10, the GOB acceded to the 1988 UN Convention, but expressed reservations regarding extradition and the submission of disputes to the International Court of Justice.

Burma is a party to the 1961 Single Convention on Narcotic Drugs, but not to the 1972 Protocol to the Convention or the 1971 Convention on Psychotropic Substances. It currently has no bilateral narcotics agreement with the U.S.

While the GOB is currently reviewing its legislation with a view toward making those limited changes necessary for full conformity with the UN Narcotics Convention, it enacted no legislative changes in 1991.

The GOB continues to dispute the USG view that the U.S.-UK Extradition Treaty of 1931, made applicable to Burma in 1941, is currently in force and permits extradition between the U.S. and Burma.

Cultivation and Production. Clearly the world's leading opium poppy grower, Burma produced an estimated 2,350 mt of opium in the 1991 crop season -- 60 percent of all illicit opium. Though poppy is grown in Kachin, Chin, and Kayah states, the chief growing area is the Shan Plateau -- extending almost the full length of the mountainous Shan State with an average elevation of 1,000 meters. Fields range from 0.1 to 4.0 ha, averaging 0.5 hectare. Burma's upland climate is ideal for cultivation, with a mean temperature of 70-80 degrees and the southwest monsoon between June and October provides the Shan Plateau some 90 percent of its annual 80-inch rainfall. Roads extending into these remote, rugged areas are primitive or nonexistent.

In the growing areas, residents depend on the opium crop for survival, though many local chiefs coerce them to grow as much opium as the labor supply permits. Heroin refining facilities no longer center solely along the Thai/Burma border. Refining now also occurs in Sino-Burmese border areas controlled by the Wa and the Kokang Chinese.

Any significant reduction in production and trafficking depends on a more serious, vigorous plan of action by the GOB to attack narcotics production and trafficking. In theory, the GOB's nascent rural development program could eventually provide at least some of the infrastructure and other facilities necessary for poppy growers to find other sources of income. However, absent aggressive drug enforcement efforts against opium cultivation, heroin refineries, and major traffickers, high levels of production and trafficking are likely to continue.

Assuming successful implementation of the government's optimistic six-year plan for opium eradication, the USG's estimate of the maximum achievable reductions for each of the next five years would be 15 to 20 percent of current opium/heroin production in the affected areas. This would still leave production untouched where no government program has yet been established. However, realistic prospects for any reduction are minimal.

Domestic Programs. Both the Ministry of Education, through school lectures, exhibitions, and competitions, and the Ministry of Information, through newspapers and publications, radio and television programs, carry out anti-narcotics preventive education. The Ministry of Health is responsible for drug treatment and detoxification; the Ministry of Social Welfare for the drug rehabilitation program. Additionally, the Ministry

of Health supervises 26 treatment and detoxification centers with a combined capacity of 730 beds and an estimated annual capacity of 3,500-4,000 addicts. Heroin addicts are eligible for ten weeks of detoxification treatment.

While rising domestic addiction was a major catalyst in Burma's 1974 decision to establish an active narcotics control policy, the GOB maintains that the addiction rate has stabilized. Burmese addicts must register and undergo compulsory treatment and rehabilitation. According to Ministry of Health figures, there are approximately 51,000 registered addicts in Burma -- 12,000 heroin addicts, 34,000 opium addicts, and another 5,000 addicted to other drugs including polydrugs and marijuana. Some Burmese observers believe the actual number of addicts to be as much as three times higher than those registered. UN figures suggest the total addict population may approach 150,000. To underscore the impact of addiction on Burma itself, the USG has repeatedly drawn official attention to this growth in local consumption.

Patterns of usage are changing. Injection of heroin is on the rise, resulting in increased overdose deaths as well as more drug-related AIDS cases and positive HIV tests. Some knowledgeable observers believe that the GOB's increasing concern about the threat of AIDS, especially among military personnel, has contributed to the modest upsurge of counternarcotics activity over the past year. There are no reliable figures for overdose deaths, nor is it possible to accurately estimate illicit narcotics consumption. Commonly accepted estimates, however, put the figure at one kilogram of opium or equivalent per addict per year.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. Since 1988, the USG has not provided assistance, other than disaster relief, to the Government of Burma. In 1990 and 1991, the USG did not certify Burma as cooperating fully or for taking steps on its own on narcotics control under Section 481(h) of the Foreign Assistance Act of 1961, as amended. The USG has strongly encouraged the Burmese Government to take action to curb the production, processing and trafficking in opium and heroin on its territory -- and has spoken out publicly as well. The USG is prepared to support appropriate multilateral assistance projects through the UNDCP and other UN agencies, but this support is dependent on adequate access for monitoring project and operational areas, as well as a demonstrated GOB commitment to attack drug production and trafficking by all groups in its territory.

Bilateral Cooperation. Bilateral counternarcotics cooperation is limited to DEA activities, which continues its working-level contact and exchange of information with enforcement officials. In 1991, the Burmese military made use of DEA-supplied intelligence to destroy two

heroin refineries and worked with the DEA on a joint undercover operation targeting major narcotics traffickers. The USG currently provides no direct counternarcotics assistance or training to the GOB.

The Road Ahead. The future of USG counternarcotics activities in Burma depends upon the GOB's readiness to engage in serious law enforcement and fulfillment of the international commitments it undertook by acceding to the 1988 UN Convention. Indicators of increased international cooperation would include unrestricted access to the border areas for development workers and greatly enhanced law enforcement efforts, including opium eradication and interdiction, destruction of refineries, and arrest of major traffickers. An effective assistance program could then mesh rural development and crop substitution with training and equipment that would help GOB agencies better fulfill their law enforcement responsibilities.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
OPIUM						
Harvestable Cultivatior	[ha]	*160,005*	160,000	150,100	142,742	115,700
Eradication*	[ha]	*1,000*	1,012	39	18	12,500
Cultivation	[ha]	*161,005*	161,012	150,139	142,760	116,700
Potential Yield	[mt]	*2,350*	2,350	2,250	2,430	1,435
Loss Factor	[mt]	*278.0*	278.0	278.0	262.0	128.0
Seized	[mt]		1.240	1.926	-	0.62
Consumed	[mt]	*150*	150	150	150	150
Exported	[mt]	*300*	300	300	300	75
Available for refining	[mt]	-	-	-	1,600	679
HEROIN						
Produced	[mt]		180	180	128	68
Seized in-country	[mt]		0.142	0.243	-	0.09
Consumed in-country	[mt]		4.5	4.5	4.5	2.0
Exported						
Seizures						
Opium	[mt]	*1.50*	1.24	1.926		
Heroin	[mt]	*0.20*	0.142	0.243		
Marijuana	[mt]	*0.80*	0.684	0.815		
Other data						
Heroin Labs destroyed		*6*	6	1	3	3
Narcotics Arrests			-	-	-	2,000
Heroin Users [Thousan			12	12	12	12
Opium Users [Thousands]			34	34	34	34

*Data on eradication, seizures, labs destroyed, and arrests reflect official GOB statistics fc 1990 (not available when last year's INCSR went to press) and for 1991, through the mon October.

With the exception of cultivation hectarage and production tonnage, accurate figures do r for Burma. Estimates have been based on incomplete intelligence and all other available The adjustment of the 1989 opium cultivation and production figures downward reflects i information acquired since that year's estimate.

Note: Opium yield is calculated using a figure of 15 kilograms per hectare. A study conducted in in Thailand from December 1991 to February 1992 revealed that Thai opium yield is 28% lower than previously believed (11.6 kg/ha versus 16 kg/ha). While we have not changed the yield figure for Burma this year, we may do so in the future if Burmese opium yield also proves to be lower. It could reduce the Burmese opium estimate by 25-30 %.

[All available opium in any given year is not converted into heroin.
Undetermined quantities are stockpiled for use and export during subsequent years.]

Available information does not permit a breakdown of various refined products. Figures for heroin also include heroin base and morphine base. Government of Burma estimates of opium/heroin usage and number of addicts are questionable and hence not useful for st presentation. UN figures suggest that the total addiction population approaches 150,000

CHINA

I. Summary

With the increase in opium cultivation and heroin production in the border areas of neighboring Burma, the Peoples Republic of China (PRC) has emerged as a major narcotics transit route. Although most of the heroin is destined for the United States and other overseas markets, some is consumed in China where drug abuse has re-emerged as a significant problem. The PRC government has launched a "War Against Drugs" to attack the narcotics problem through enhanced law enforcement measures, public education, and international cooperation. The DEA Administrator and the State Department Assistant Secretary for International Narcotic Matters held discussions with PRC counternarcotics leaders in Beijing during 1991. During both visits, USG officials declared that the unresolved case of Wang Zongxiao -- who traveled to the U.S. in 1990 to testify in the "Goldfish" case and then requested political asylum -- must not stand in the way of furthering bilateral cooperation. PRC officials indicated that the case continues to affect negatively the tone of bilateral cooperation, and insisted that Wang be returned to China. Some PRC officials nevertheless expressed guarded willingness to explore ways of increasing cooperation.

II. Status of Country

China has become a major narcotics transit country because of its location adjacent to the Golden Triangle, its open border with Burma, and its good transport and communication links with drug transit areas such as Hong Kong and Macao. Burma has become the source of most of the heroin transiting through China. Although a large proportion of heroin in transit is shipped by road through Yunnan, Guangxi and Guangdong provinces to Hong Kong for overseas distribution, drugs also have been seized at airports in Shanghai and Guangzhou and on trains.

During 1991, PRC law enforcement bodies handled more narcotics related cases and seized larger amounts of illicit drugs than at any time in the past forty years. In Yunnan Province -- the major entry point for heroin produced in Burma -- the Public Security Bureau seized 895 kg of heroin in 1,512 drug cases through June. During all of 1990 there were 1,445 kg seized in 2,143 drug cases; in 1989, only 148 kg seized in 328 drug cases. Among several worrisome trends, drug traffickers are increasingly resorting to violence to resist inspection and seizure.

Another negative trend accompanying the increased heroin flow is the spread of domestic addiction from China's border provinces to urban areas and interior provinces, such as Guizhou, Sichuan, Guangdong, Fujian, Shaanxi, Gansu and Inner Mongolia. Although the Chinese estimate there are 70,000 registered addicts, the number of unregistered and untreated addicts is certainly much higher. The majority of China's 600 HIV positive cases are located in Yunnan Province where the rise in the number of addicts injecting heroin has contributed to the spread of the AIDS virus.

In October 1991, PRC officials reported the first seizures of methamphetamine ("ice") produced in China. Public security officials said pharmaceutical firms and chemical companies involved in the cases were unaware that the drugs they were manufacturing were for illicit use. However, Hong Kong authorities have uncovered increasing traffic in illegal "ice" produced in the PRC for export through Hong Kong to Japan, the Philippines, and possibly the United States.

The Chinese government acknowledged during 1991 that illicit narcotics are produced in China. Seizures of illegally cultivated marijuana and opium poppy were publicized by the government. The opium is believed to be for domestic use while the marijuana and methamphetamine was for domestic and overseas consumption.

III. Country Action Against Drugs in 1991

Policy Initiatives. In order to achieve the goal of eliminating drugs in China over a period of three years, the PRC in 1991 stepped up counternarcotics activities through anti-drug agencies created from the central government down to the local level. The National Narcotics Control Commission (NNCC) -- composed of representatives from 16 government ministries and agencies, including the Ministries of Public Security, Customs and Health -- is the national level coordinating body which directs policy making, enforcement, research and international cooperation in drug control.

Throughout 1991, workshops and conferences have been held to educate the public on the dangers of narcotics and publicize the 1990 drug law and its penalties. In June, the NNCC convened the first national drug control conference. Representatives from all thirty of the PRC's provinces and autonomous regions heard state Councillor Wang Fang announce the start of a new offensive against drugs. In October, senior PRC counternarcotics officials participated in a well-publicized conference in Kunming which stressed the high priority being placed on eliminating the narcotics problem.

As part of efforts to improve law enforcement, the PRC made plans to expand and better equip the anti-drug task force assigned to Yunnan and the Customs General Administration Special Drug Task Force. PRC

Customs has set up three narcotics detector dog schools and is planning a computer data base designed to make narcotics intelligence available to local level officials.

Recognizing the need to attack narcotics trafficking in cooperation with other nations and multilateral organizations, the PRC held discussions with Burma, Laos and Thailand on counternarcotics cooperation and finalized a project funded by the UN International Drug Control Program (UNDCP).

Drug addicts in China have been encouraged to register and receive treatment at newly established government treatment centers located in most of China's provinces and autonomous regions. In Beijing, a national drug dependence treatment center at Anding Hospital directs addict treatment programs. With a recidivism rate reported as high as ninety percent, the PRC is looking for new ways to treat drug addicts. Basic research and epidemiological studies of drug abuse are carried out at the Ministry of Public Health and at the Center for Drug Dependence Research at Beijing Medical University.

Accomplishments. The PRC, by quickening the pace and public awareness of its counternarcotics activities, made progress in the fight against narcotics a major priority. Many, if not most, drug cases have been adjudicated expeditiously and with maximum publicity. On October 26 in Kunming alone, 35 drug traffickers were publicly sentenced to death and later executed. On the same day, 40,000 people watched as five tons of opium and heroin were burned. Whether public trials and frequent use of the Death Penalty Act as a deterrent to traffickers and addicts remains to be seen.

Pursuant to the October 1987 Memorandum of Understanding, the PRC has continued to cooperate with the USG on a limited scale with respect to the suppression and control of illicit narcotics and trafficking. Seeking to improve bilateral cooperation and share views on the worldwide and regional narcotics situation, the Assistant Secretary of State for International Narcotics Matters held discussions with NNCC General Secretary and Public Security Vice Minister Yu Lei and other members of the NNCC in Beijing in July. The DEA Administrator held similar talks in Beijing in November.

During the visits, the USG reaffirmed the need for closer bilateral and international cooperation to combat narcotics trafficking. Senior PRC officials expressed guarded willingness to explore ways of increasing cooperation. The U.S. side emphasized that the case of Wang Zongxiao -- a PRC national arrested in China for narcotics trafficking, who traveled to the U.S. in 1990 to testify in the "Goldfish" case and then requested political asylum -- must not stand in the way of furthering cooperation. PRC officials agreed with that sentiment, but also consistently noted that until resolved, the case could not help but negatively affect the tone of bilateral cooperation. The Chinese continue to insist upon Wang's return to China to stand trial.

In other bilateral activity, in April, three PRC customs officials attended the INM-funded Far East Regional Drug Enforcement seminar given by DEA in Hong Kong. In May, DEA conducted an essential chemical conference in Beijing which was attended by PRC Ministry of Public Health (MPH) and Customs officials. In June, a DEA special agent participated in the Enterprise Crime Conference in Shanghai. The PRC continues to cooperate with Interpol and other law enforcement agencies to track organized crime syndicates involved in narcotics trafficking.

In November, a team of trainers from the private drug rehabilitation organization "Daytop Village" led an INM-sponsored workshop in Beijing on the use of the therapeutic community approach in drug abuse treatment and rehabilitation. There were fifty-five participants representing medical, counseling, research, and administrative aspects of drug abuse treatment from most of China's provinces and regions. The MPH plans to use the therapeutic community approach in a project to be developed in Yunnan. Chinese and American scientists continue to cooperate on joint research and development in drug-related areas. Such cooperation includes clinical studies conducted in China to assist NIDA research on new treatments for drug addicts.

China, recognizing the need to combine its counternarcotics efforts with its neighbors, has made progress in enhancing regional cooperation. China has signed a joint agreement with Burma and the UNDCP on counternarcotics efforts as part of a UNDCP Asia regional program. Over a three-year period, the $4.5 million project will focus on crop and income substitution in the opium-growing border areas of Burma. In China, UNDCP will assist in improving law enforcement and drug rehabilitation. In 1991, PRC and Thai counternarcotics officials participated in bilateral discussions in both Beijing and Bangkok. Closer counternarcotics cooperation with Laos at the provincial level was agreed to in principle during the Lao Interior Minister's visit in October.

PRC cooperation with Hong Kong and Macao has included a program under which PRC customs officials receive training in investigation, intelligence collection, identification of drugs and management of airport and port facilities in Hong Kong. Hong Kong Customs officials maintain frequent contacts with their Chinese counterparts in Guangdong Province on counternarcotics activities.

Law Enforcement Efforts. China dealt successfully with an enormous drug abuse problem in the early 1950s when the PRC had an estimated 20 million opium addicts. As a result of the virtual elimination of the sale and use of illicit drugs, Chinese police and customs did not have specialized narcotics control units, and the legal framework for combatting narcotics was weak. China was not prepared for the resurgence of narcotics trafficking that followed the opening of the country and growth of foreign trade that began in the late

1970s. However, in the last few years, the Chinese Government has taken specific steps to strengthen the legal and supervisory aspects of drug control and liaison with international law enforcement agencies, and has put into place the administrative, legal and public health structure to implement a successful drug enforcement program.

In 1982, the standing committee of the National People's Congress (NPC) approved a supplementary amendment to Article 171 of the Criminal Law: "whoever manufactures, sells or transports narcotics is to be sentenced to life imprisonment or death when the circumstances are particularly serious." Article 47 of the Customs Law was implemented in 1987, stipulating that "whoever transports, carries or sends narcotics by post into or out of the territory" has committed the crime of smuggling. According to article 118 of the Criminal Law, those who commit a crime of smuggling "with a serious nature" are sentenced to life imprisonment or death.

In 1987, the PRC promulgated the Narcotic Control Act to establish strict controls over narcotic drugs. In 1988, Premier Li Peng announced procedures for the administration of "psycho-pharmaceuticals" aimed at tightening control of drugs which directly affect the central nervous system. The law limits the production of psycho-pharmaceuticals to state-designated production units under central government guidance, specifies procedures for transport or shipment of these chemicals, designates procedures for the import and export of such substances, and delineates penalties for the violation of this new law.

In December 1990, the standing committee of the NPC passed an anti-narcotics resolution which, for the first time, combined numerous laws previously enacted into one overall anti-narcotics edict. The comprehensive law covers smuggling, trafficking, transporting and manufacturing of drugs; possession of drugs; operating as the head of a syndicate; participating in organized international drug trafficking activities; protecting or assisting a trafficker in hiding his drug profits; illegal cultivation of opium; drug rehabilitation; narcotics-related corruption by government officials; asset forfeiture; prosecution of PRC citizens who engage in narcotics trafficking outside the PRC; and conspiracy investigations. While the law covers all the pertinent areas, in many instances the enabling legislation is not yet in place for full utilization of the law.

There is no evidence that the PRC as a matter of government policy protects or gives haven to known drug traffickers.

Corruption. The PRC has taken a strong stand against official corruption. There is no reliable evidence of high-level official corruption or involvement in narcotics trafficking but there are numerous reports of narcotics corruption among lower-level Chinese officials. A section of the

1990 drug law deals specifically with government officials who are found guilty of the use, manufacture or delivery of narcotics. Those convicted of these crimes receive sentences on the same basis as non-government offenders. In addition, in any government department where such offenses occur, the head of the department and the immediate officer in charge will be held responsible and punished accordingly.

Agreements and Treaties. The PRC was the second nation to ratify the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It is also a party to the 1961 Convention on Narcotic Drugs, the 1972 Protocol to the Convention and the 1971 Convention on Psychotropic Substances.

There is a 1987 memorandum of understanding with the USG regarding joint cooperation in drug control efforts. The U.S. and the PRC do not have a bilateral extradition treaty and do not extradite fugitives to each other for prosecution. The USG has no current plans to propose the negotiation of such a treaty.

Cultivation. There are some indications that domestic opium cultivation is emerging as a major problem. However, trafficking remains a far more important problem than cultivation. Most domestically grown opium is consumed locally rather than exported. A variety of Chinese and Hong Kong press reports have identified instances of illicit opium production in fifteen provinces. Few of these reports involve large scale production. The MPS has reported an increase in marijuana cultivation in Xinjiang Province in western China. The marijuana is smuggled by rail to the east coast for export.

The U.S. Government is unable to provide a reliable estimate of the maximum reduction in production achievable during the next year. In 1991 there was one report of the eradication of six million poppies over 5.3 hectares in Inner Mongolia.

Domestic Programs. The PRC, through provincial and national level government offices, has convened conferences to mobilize the population in the fight against drugs. To mark the 150th anniversary of China's first open resistance to drugs in the Opium War, and the third International Drug Day, on June 26, workers from various government offices in Yunnan participated in a publicity campaign which included counseling, video shows, art exhibitions and cultural performances. The Government encourages citizens to report on possible cases of drug smuggling and use. In Yunnan, where local efforts are most organized, anti-drug organizations are involved in identifying drug users, providing treatment, and ensuring that former addicts do not return to illicit drugs. To combat the high recidivism rate, ex-addicts who are caught taking drugs again face confiscation of their leased farmland. They are allowed to resume tilling the land three years after providing evidence that they have actually stopped using drugs.

IV. US Policy Initiatives

Policy Initiatives. The USG has sought the following policy initiatives:

--Continue a dialogue with PRC officials on the worldwide and regional narcotics situation.

--Encourage an exchange of information on trafficking networks and narcotics-related cases.

--Encourage regional cooperation and joint counternarcotics projects.

Bilateral Cooperation. The USG has sought to improve bilateral cooperation through the visits of the Assistant Secretary of INM and the DEA Administrator. DEA and PRC public security officials are working on ways to expedite information exchange, with DEA emphasizing the need for timely and useful feedback from the PRC and enforcement officers. Progress has been made in expanding cooperation on health-related and law enforcement training.

The Road Ahead. The PRC's official commitment to fight narcotics domestically and through international cooperation has provided a strong theoretical basis for USG-PRC cooperation. But the pace of expanded counternarcotics cooperation -- on information exchange, in particular -- has fallen well short of the growing narcotics threat. The USG will seek to engage the Chinese in more regional as well as bilateral counternarcotics efforts to stem the flow of drugs at their source and in transit.

Consideration is being given to providing narcotics-specific training to working level officials. To what degree PRC authorities will avail themselves of the training is uncertain.

Statistical Tables

TABLES for CY	1992 est.	1991*	1990**	1989**	1988
Seizures					
Opium [mt]			0.720	0.289	0.170
Heroin [mt]		0.895	1.445	0.148	0.246
Arrests		-	4,500	132	97
Licit Production					
Opium [mt]		-	-	-	14.6

January-June 1990. All data from the People's Republic of China Government.
*As of June 1990
**Figures corrected in 1991 by
Chinese authorities. 1/27/92

HONG KONG

I. Summary

Hong Kong is a major center for brokering and transshipping heroin from the Golden Triangle to the U.S. It is also a money laundering center. Heroin addiction is a major problem facing the Hong Kong Government (HKG), and a government audit has criticized the methadone program as ineffective. The U.S. has excellent cooperative relations with Hong Kong on narcotics-related issues. A key element of the government's fight against narcotics is the 1989 Drug Trafficking (Recovery of Proceeds) Ordinance. More than $45 million in drug assets have been frozen in the U.S. and Hong Kong under the bilateral Drug Designation Agreement. Hong Kong also is an active participant in the Financial Action Task Force.

II. Status of Country

Hong Kong continues to be a major transit point for drug trafficking. Traffickers also use the territory to conclude deals and launder drug proceeds. Most trafficking involves Heroin No. 4 (injectable heroin). Virtually all of Hong Kong's heroin comes from Southeast Asia's Golden Triangle -- by sea and air cargo, and overland through southern China. Local authorities estimate that 50 percent of all heroin now enters Hong Kong via China.

III. Country Action Against Drugs in 1991

Hong Kong authorities have an active program of investigation and arrests. The narcotics police are professional and actively engaged in their work. Hong Kong authorities reported over 3,700 narcotics-related arrests in the first half of 1991. Seizures included over 90 kg of heroin and 51 kg of opium for the same time period. The U.S. Government is not aware of any reports of narcotics-related corruption among senior government or law enforcement officials in 1991. Similarly, there are no reports that the HKG protects or gives haven to known traffickers.

A key element of the HKG's counternarcotics strategy is the 1989 Drug Trafficking (Recovery of Proceeds) Ordinance which empowers the government to trace, freeze and confiscate proceeds from persons convicted of drug trafficking. A person who helps drug traffickers retain or otherwise benefit from drug proceeds may also be prosecuted. The government created financial investigation groups in the Police and in the Customs Service to enforce the ordinance. More than $40 million in drug-related assets have been frozen to date.

The same ordinance also requires financial institutions and individuals to notify the government if they know or have reasonable grounds to believe that suspicious transactions are taking place. Concerned that the number of reports is lower than expected, the Hong Kong Government is in the process of amending the law to require banks to report when they suspect that drug money is being laundered.

In response to an upsurge in seizures of methylamphetamine ("ice") arriving from China, the Court of Appeals in May issued new, more rigorous sentencing guidelines for possession of the drug. In September, the government announced its intention to list as dangerous drugs 33 tranquilizers and thus place them under stricter control. A provision of the Dangerous Drugs Ordinance which provided that possession of more than 0.5 grams of a dangerous drug constituted trafficking was struck down as inconsistent with the Hong Kong Bill of Rights. As a result, the HKG issued new regulations regarding enforcement that are consistent with its Bill of Rights.

The HKG, with the approval of the British and Chinese Governments, is beginning to set up law enforcement structures that will be in place post-1997 when Hong Kong will revert to the sovereignty of the Peoples' Republic of China (PRC). To that end, the HKG has begun extradition negotiations with the United States and other countries. In April, the HKG initialled with the Netherlands its first extradition agreement valid beyond July 1, 1997. This agreement still must be approved by the Sino-British Joint Liaison Group.

Hong Kong has been an active participant in the Financial Action Task Force since it joined the Task Force in December 1990. Hong Kong has signed agreements with Australia, Canada and the United Kingdom which will allow for the enforcement of mutual confiscation orders against drug assets.

In October, Hong Kong hosted an international economic crime workshop which focused on combatting drug-related money laundering.

The HKG has taken a broad range of actions on the prosecution of traffickers and the implementation of financial controls, and has cooperated extensively with the USG. This indicates that the HKG has taken legal and law enforcement measures to enforce, to the maximum extent possible, elimination of illicit drug manufacturing and trafficking.

Hong Kong's Central Registry of Drug Abuse (CRDA) reported more than 41,000 drug abusers as of June 30, 1991. Heroin No. 4 continues to be the most abused drug among adult males. However, multi-drug abuse is spreading among Hong Kong youth and women. The HKG

maintains three major treatment and rehabilitation programs: mandatory treatment carried out by the Correctional Services Department, outpatient methadone maintenance under the Department of Health, and a voluntary inpatient program conducted by the Society for the Aid and Rehabilitation of Drug Abusers (SARDA). Other treatment, counselling and public education programs operated by various volunteer agencies complement this effort. Government auditors have criticized the methadone and SARDA programs as ineffective. A full review of treatment and rehabilitation facilities for addicts is expected to be completed in 1992.

Calls for more formal drug education in schools led the HKG to design a new video teaching kit to educate students about the dangers of drug abuse.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Cooperation between USG agencies and their HKG counterparts is excellent. In January, the U.S.-Hong Kong designation agreement came into effect. This agreement allows each party to honor, on a reciprocal basis, confiscation orders received from the other's jurisdiction for the proceeds of those convicted of drug trafficking. Through the end of September, over $45 million in narcotics-related assets had been frozen in both Hong Kong and the U.S. under this agreement.

Nine fugitives were extradited from Hong Kong to the U.S. in 1991. Both governments plan to hold further talks on an extradition agreement which would extend beyond July 1, 1997.

A USG money laundering delegation held useful talks with its Hong Kong Government counterparts in August. Operational cooperation between the U.S. Drug Enforcement Administration (DEA) and Customs and their HKG counterparts continues to be fruitful. USG counternarcotics goals remain focused on increasing cooperation in drug interdiction and combatting drug-related money laundering.

Statistical Tables

B. DATA TABLES for CY		1992 est.	1991	1990	1989 [e]	1988
Refining						
Heroin No. 4	[mt]		-	-	0.65	0.65
Seizures a/						
Opium	[mt]		0.051	0.066	1.040	0.064
Heroin	[mt]		0.093	0.212	1.052	1.845
Cocaine	[mt]		0.008	0.001	0.001	0.002
Cannabis	[mt]		0.118	2.40	0.382	0.040
Methamphetamine	[mt]		0.072	0.006	-	-
Arrests (b)			3,717	3,708	9,529	11,544
Domestic Consumption /c						
Opium	[mt]		0.50	0.50	0.50	0.50
Heroin	[mt]		9.00	9.00	9.00	9.00
Cocaine	[mt]		0.05	0.05	0.05	0.03
Marijuana	[mt]		5.50	5.50	5.00	4.00
Users (thousands) /d						
Opium			0.5	0.5	2.5	2.0
Heroin			39.6	37.0	43.0	45.0
Cocaine			-	0.4	1.3	1.0
Marijuana			7.5	7.5	7.0	6.0

(a) Provisional figures are based on Hong Kong Police and Customs Statistics. 1991 data cover January - September. Hong Kong Police have been notified by their chemist that correct figure for 1990 cocaine seizures is .039 kg. January-October 1990 seizure statistics were provided by Hong Kong Police and Customs officials.

(b) Arrest figures come from the Hong Kong Central Registry of Drug Abuse (CRDA). (CRDA, twenty-sixth report. 1991 data for first six months only.

(c) Estimates developed with the assistance of DEA Hong Kong.

(d) Figures extrapolated from total number of assumed users reported in CRDA's 28th Report multiplied by the percentage of individuals with known drug abuse. As the CRDA figurs deal only with reported abusers, the number of actual the number of actual abusers is certain to be somewhat higher. CRDA emphasizes that exact figures for the addict population are not available since reporting is on a voluntary basis. Hong Kong authorities note that CDRA statistics for "hard" drugs such as heroin are fairly accurate and readily acknowledge that statistics are less accurate for "soft" drugs such as marijuana.

(e) 1989 statistics reflect full year adjustments.

1/28/92

INDONESIA

I. Summary

Indonesia is not a major narcotics processing country nor a narcotics money laundering center. Marijuana, known locally as **ganja**, is produced in large quantities, but little enters the U.S. market. Domestic drug abuse is a small but growing problem, and the Government of Indonesia (GOI) views drug abuse as well as narcotics trafficking as major long-term threats to social stability. U.S.-Indonesian cooperation continues to be good, with the USG providing some funding for training and the GOI cooperating with the U.S. Drug Enforcement Administration (DEA) in a number of areas.

II. Status of Country

The only illicit drug produced in large quantities in Indonesia is marijuana. While no accurate estimates of production levels exist, Indonesian authorities believe there has been no significant change in marijuana production or use over the past year. According to available evidence, little, if any, enters the U.S. market.

Indonesia's island geography and over one million square miles of territorial sea and archipelagic waters include some of the world's busiest international straits and provide countless opportunities for smuggling narcotics and other goods. There have been signs that, as other Southeast Asian countries clamp down on heroin trafficking, Indonesia may be used more by trafficking organizations. On two occasions in May, heroin shipments from Jakarta were seized at JFK Airport in New York.

Drug abuse and trafficking in Bali are a concern as the government spurs tourism through easier immigration and customs procedures, attracting greater numbers of travellers. Frequent international flights contribute to Bali's potential as a drug transit center. Indonesian law enforcement officials and independent sources believe that foreigners, especially Western Europeans, are involved in moving most narcotics out of Bali. Tourists, however, report being approached openly by local drug vendors.

III. Country Actions Against Drugs in 1991

Policy Initiatives. The Indonesian National Police (INP) were instructed to make a special effort to focus on narcotics control during the "Visit Indonesia Year 1991" tourism campaign. This effort can be expected to continue as the GOI strives to increase tourism.

Accomplishments. According to the INP chief, narcotics crimes have steadily fallen, from 1279 in 1985 to 342 in 1990. In July, Indonesian and Malaysian police conducted a joint anti-crime exercise in the Straits of Malacca; one scenario dealt with interdiction of a vessel smuggling heroin.

Law Enforcement Efforts. Indonesia's legislation and legal structure are technically adequate to prosecute those involved in the abuse and production of and trafficking in opiates, coca, marijuana, and illicit synthetic drugs. The GOI is examining the possibility of additional legislation covering money laundering, conspiracy and asset forfeitures. Indonesia is not a signatory to the 1971 UN Convention on Psychotropic Substances and Indonesia's 1976 narcotics law does not cover psychotropic drugs. The INP chief has recently recommended that the 1976 law be reviewed because of this shortcoming. While these drugs are regulated and trafficking in them is illegal, this omission complicates police efforts to curb the growing problem of urban psychotropic drug use. The GOI is working on a draft law which would bring Indonesia into conformity with the 1971 Convention. The GOI is a signatory to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Pyschotropic Substances but has not yet deposited its instrument of ratification.

Corruption. The Indonesian press publicized corruption trials of a number of officials in 1991, but no senior government officials were tried nor were any corruption trials linked to narcotics. In April, the INP arrested two sons of a West Java local official for using and selling narcotics. Government policy does not encourage or facilitate illicit drug production, distribution, or money laundering.

Agreements and Treaties. Indonesia has bilateral extradition agreements with Malaysia, the Philippines and Thailand. Drug offenders may also be extradited to other countries under existing law. Indonesia participates in international narcotics control efforts and is a member of the UN Commission on Narcotic Drugs. Association of South East Asian Nations (ASEAN) police chiefs, at their April annual meeting, agreed to pursue the signing of bilateral and multilateral extradition agreements among member states, to the speedy exchange of operational intelligence regarding drug trafficking, and to joint training and operations to combat illicit trafficking.

Cultivation and Production. Cannabis is grown in Sumatra, Java, Bali, Nusa Tenggara, and Sulawesi. Most marijuana comes from Aceh Province in northern Sumatra, where it grows both wild and under cultivation. The highest estimate ever cited for annual marijuana production was 200 mt. In the early 1980s, small numbers of coca bushes were identified by law enforcement officers in Java. Most

plants seized in recent years have been in the wild or cultivated as ornamental plants. According to one report, small coca plantings from the Dutch colonial period continue to supply the market for traditional medicines. An illicitly cultivated mushroom of the psilocybin type enjoys a small market among foreign tourists in Yogyakarta (Java) and in Bali. Despite a favorable climate in some parts of Indonesia, there is no evidence that opium poppies are cultivated.

Indonesia is not a major processing country for illicit narcotics and police have not found heroin or cocaine laboratories in the country. Heroin labs may be operating aboard fishing vessels in the Straits of Malacca, jurisdiction over which is split between Indonesia and Malaysia. Local officials believe the heroin, opium, morphine and cocaine found in Indonesia come from other countries.

In the absence of reliable statistics on illicit drug production, it is difficult to make realistic estimates of maximum achievable reductions. The USG believes that GOI marijuana eradication programs have had a limited impact on domestic production, because of the small amount of resources the GOI is able to allocate to drug eradication. The INP chief noted recently that, due to the rough terrain in Aceh and a lack of personnel in remote areas, only about 25 percent of the cannabis crop had been "confiscated." He also noted that in the last few years, farmers have become more sophisticated by planting cannabis along with other crops, making air detection almost impossible.

Domestic Programs. Domestic drug abuse is a small but growing problem. According to police reports, approximately 95 percent of drug abusers in Jakarta are between the ages of 15 and 26. Drug abuse is reportedly spreading from richer youth to middle and lower class youth. Poly-drug use has become increasingly popular among urban youth, particularly the combination of sedatives, alcohol and marijuana. Some adolescents have turned to solvent abuse (paint thinner, gasoline, glue).

There is no registry of drug abusers nor are reliable indirect indicators of abuse monitored. Indonesia is estimated to have approximately 100,000 drug abusers. This estimate is based on police statistics of persons detained on narcotics abuse charges for any period, multiplied by a factor of ten, on the presumption that only ten percent of abusers are identified by the police. Figures from various officials estimate that five to six percent of the population are drug abusers, a figure that has remained stable over the past several years. The INP includes alcohol abusers in its statistics.

The GOI views drug abuse and narcotics trafficking as major long-term threats to social stability. Therefore it supports efforts to increase public awareness about the dangers of drug abuse through the Ministries of Health, Education and Culture, Religion and Information.

Youth and women's organizations are also active in public awareness campaigns, and religious organizations are involved in prevention, treatment and rehabilitation. In 1991, non-governmental organization (NGO) sponsored a youth caravan in which high school students travelled around the country speaking to peer groups about the dangers of drug abuse. It is difficult to evaluate the success of these efforts because of poor statistical data.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The U.S. continues to urge the GOI to ratify the applicable UN conventions on illicit drugs and advocates increased cooperation among ASEAN nations to control production and trafficking. The U.S. Embassy in Jakarta and the DEA office in Singapore serve as the focal points for cooperation with the GOI.

Bilateral Cooperation. The DEA closed its country office in Jakarta in 1987, in part because of reduced expectations that Indonesia would become a transit country for traffickers. GOI officials take advantage of training opportunities which, in 1991, included courses in Washington and Hong Kong.

In February 1991, at DEA's request, the INP deported a suspected American drug trafficker to the U.S. although the U.S. and Indonesia do not have an extradition treaty.

The Road Ahead. U.S. efforts will focus on training opportunities and possible equipment procurement. Discussions are underway between U.S. officials and the GOI with regard to provision of enforcement support equipment and large-scale narcotics training. Budget uncertainties may play a role in any decision as to the extent of the procurement and training.

Statistical Tables [a]

TABLES for CY		*1992 est.*	1991	1990	1989	1988
Cannabis Eradicated						
Plants (thousands)			-	3,046	4,914	69
Hectares			19.56	48.83		
Arrests						
Nationals			-	-	696	352
Foreigners			-	-	18	3
Total Arrests			1,152	853	714	355
Seizures						
Cannabis	[mt]		0.56	1.05	4.91	-
Users*			100,000	100,000	100,000	

(a) Provided by Indonesian National Police

*Based on police estimates and includes alcohol abusers.

1/30/91

LAOS

I. Summary

Laos ranks among the world's largest opium producers. The Lao Government took a number of steps in counternarcotics cooperation in 1991 to reduce opium cultivation and improve narcotics law enforcement. It increased the degree and level of contact and cooperation with the USG on law enforcement; made a number of narcotics-related seizures and arrests; continued to cooperate closely with the USG on a crop substitution project, which has helped achieve reductions in opium cultivation in the project area, and sought assistance from the UN and other donors for similar projects in other target areas; and engaged in discussions with neighboring Thailand and Burma on possible counternarcotics cooperation. The USG continues to urge the Lao to take a more active role in narcotics law enforcement and to cooperate more closely with the U.S. Drug Enforcement Administration (DEA). While some progress has been made, the Lao Government must do much more to stem drug trafficking in and through its territory. The USG remains concerned over continued reports of the sponsorship of and involvement in marijuana and heroin trafficking by elements of the Lao military.

II. Status of Country

Laos has long been a major producer of opium and marijuana, with large quantities of both smuggled to the U.S. and other markets. Opium production, however, has fallen sharply in the past two years. In the 1990/91 crop year, production is estimated to be 265 mt. The USG estimates that opium poppy cultivation dropped 27 percent in the 1989/90 crop year to 30,580 ha, well below the 1988/89 estimate of 42,130 ha. Using a constant yield estimate, this resulted in a corresponding drop in actual production of opium from 375 to 275 mt. In the 1990/91 crop year, cultivation was slightly lower at 29,625 ha.

The cause of this decline is difficult to establish but three crop substitution projects currently underway may have had an effect. One is supported by the State Department's Bureau of International Narcotics Matters (INM) in Houaphanh Province, the second by the UN International Drug Control Program (UNDCP) in Vientiane Province, and the third by UNDCP and the International Fund for Agricultural Development (IFAD) in Xiang Khouang Province. These projects are designed to reduce poppy cultivation by providing tangible alternatives to traditional hilltribe slash and burn agriculture. In addition, the Lao Government has continued a public relations/education campaign to inform the population about the dangers of narcotics.

III Country Action Against Drugs in 1991

Policy Initiatives. USG officials gained access to high-level counternarcotics decision-makers during the year. For the first time since 1975, senior USG officials met with the Minister of Interior. In April, another USG official visited heretofore off-limits northern areas where opium is grown and trafficked.

The Lao Government is discussing bilateral cooperation with neighboring states. It signed a border agreement with Thailand that provides for counternarcotics cooperation. To date, ten Lao law enforcement officials have received training in Thailand. In September, a Lao delegation held exploratory talks with the Burmese on border cooperation, including infrastructure development and training opportunities. In October, the Interior Minister visited China and agreed in principle on closer counternarcotics cooperation at the provincial level.

Travel by Lao officials to Australia, Europe, and Japan contributed to an expanding program of international counternarcotics cooperation. The Lao have completed translation of the 1988 UN Vienna Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances which is now under consideration by the government. Senior Lao officials, including the President of the National Assembly and the Foreign Minister, have assured USG officials that they accept the Convention in principle and that ratification will soon follow.

Although the Lao have a penal code covering narcotics-related offenses, it is not adequate to address the range of narcotics issues. Ratification and implementation of the Convention will require the Lao Government to strengthen the legal infrastructure, criminal investigative procedures, and police authority. A comprehensive national plan to attack drug cultivation, production and trafficking is lacking.

Accomplishments. Pursuant to the January 1990 Memorandum of Understanding with the U.S., the Lao have taken some initial steps to cooperate with the USG on law enforcement. In 1991, the USG provided training and equipment to law enforcement and customs officials and conducted a second DEA seminar on basic law enforcement techniques. Also, U.S. Customs officials met regularly with Lao officials on counter-smuggling and counternarcotics operations. A vehicle and ten radios for mobile operations were provided to Lao Customs to increase its mobility. A U.S. Customs overseas enforcement training seminar is planned for early 1992.

After much USG prodding, the Lao have agreed to create a special police unit within the Ministry of Interior (MOI) with specific counternarcotics

duties. The unit will be a wholly dedicated counternarcotics unit. The recommendation for this unit was included in the proposal of the Lao National Committee for Drug Control and Supervision for a comprehensive counternarcotics plan which already has had one reading at the Council of Ministers level. The proposal has been returned to the Committee for elaboration and will be resubmitted after further staff work. However, the head of the unit has been designated and the MOI is in the process of selecting its staff. In late November, DEA officials met with the unit chief. DEA has pressed for a cooperative arrangement with the narcotics unit and has offered expertise, training, and equipment once the unit has been staffed and organized.

Law Enforcement Efforts. The Lao reported a number of arrests and seizures in 1991, and have detained several local government officials for trial. In August, the Lao seized 150 kg of opium and arrested a number of persons in Sayaboury Province. In the same month, in Luang Namtha Province, they seized 15 kg of heroin and arrested two persons. In September, the Lao police in Bolikhamsay Province seized six mt of marijuana and arrested fourteen people. Among those arrested -- and later convicted and sentenced to jail terms -- were a government subdistrict chief and two village chiefs. In December, police seized 33 kg of opium and arrested two in Bokeo Province. The Lao cite these arrests as evidence of their intent to address trafficking and official collusion in the narcotics trade. Despite these advances, Laotian law enforcement authorities have not yet shown the level of vigor and effectiveness necessary to hinder significantly the flow of illegal drugs. More needs to be done if the trafficking of narcotics from and through Laos is to be eliminated to the maximum possible extent.

Laos formed its first anti-smuggling border control unit in 1991 and reported the seizure of limited amounts of marijuana in Vientiane Province. It also reported other small seizures and the eradication of a small number of cannabis plants. The formation of this unit without foreign assistance is one indication of the government's growing commitment to the suppression of smuggling, including narcotics. The Customs Department plans to form similar units in northern provinces after gaining some experience. Limited resources and an underdeveloped infrastructure mean that progress is slow, but the Government of Laos (GOL) has demonstrated its commitment to more effective cooperation in combatting drugs.

Corruption. The USG continued to receive reports of official corruption and collusion in narcotics production and trafficking. The quasi-autonomous Mountainous Area Development Company (MADC) and the Third Army Division are repeatedly mentioned as involved in the narcotics trade. There is no evidence, however, that the Lao Government as a matter of policy encourages or facilitates the illicit production or distribution of drugs or the laundering of drug money. Some senior government officials may be aware of these narcotics-related activities but do not stop them for lack of resources,

political power and/or political will. However, the USG has no credible evidence that senior officials directly engage in, encourage, or facilitate the production or distribution of illegal drugs. During the November visit of the DEA Administrator, senior Lao officials insisted that no one in Laos is above the law, and that anyone involved in the narcotics trade would be arrested and prosecuted. They now have to demonstrate that commitment.

Agreements and Treaties. The USG-GOL Memorandum of Understanding signed in 1990 meets the requirements of the Chiles Amendment. The Lao Government does not have an extradition treaty nor a mutual legal assistance treaty with the U.S.; however, it reached informal agreement with DEA to cooperate in future deportations of drug traffickers.

The Lao Government facilitates UNDCP crop substitution projects in Vientiane and Xiang Khouang Provinces and is planning for additional projects in Bokeo Province. In September, the Lao co-hosted a seminar with UNDCP on a master plan for counternarcotics activities in Laos. UNDCP has recently completed its report and evaluation of the results of the seminar and has made a number of recommendations to the Lao Government.

Cultivation and Production. Opium cultivation is concentrated in the northern nine provinces of Laos, with commercially significant production in half of them. Current year production is estimated at 265 mt.

The USG is unable to provide an estimate of the maximum achievable reduction in production for 1992 because of uncertainties about the impact of alternative crop projects and the effectiveness of law enforcement efforts. However, should the trends of the past two years continue, we would expect lower production than in 1991.

Domestic Programs. The Lao Government now admits to an increasing problem of substance abuse among the lowland Lao, as well as the previously recognized narcotics addiction endemic among hilltribes. Given the country's rudimentary health care capabilities, treatment for drug addiction has not been a major public health concern of government officials.

The Lao Government states that it is engaged in a concerted campaign to educate the population to the dangers of narcotics. Arrests and seizures are widely publicized to demonstrate the government's seriousness. Lao Government officials have stressed that trials of alleged offenders will be public and open to foreign observers. USG officials have been invited to public drug burnings and trials.

In addition, the Lao Government has a program to encourage hilltribes to relocate from the upper reaches of the mountains to the lowland areas by constructing roads and providing health and educational facilities in the lowlands. This reduces slash-and-burn agriculture and encourages

settlement in permanent locations. The government expects that relocation will reduce opium cultivation as well as the dependence of the populace on opium for personal or commercial purposes.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The Houaphanh crop substitution project is currently the primary vehicle of Lao-USG counternarcotics cooperation. Initiated in 1989, the project is expected to last six years, with the goal of eradicating opium cultivation in two districts in northeast Laos. The basic objectives are to provide substitute crops and economic alternatives for opium producers; to provide training and improved health care to reduce opium demand; and to use infrastructure development assistance to help implement narcotics control measures. To date, over 75 villagers and local officials have participated in three agricultural training cycles and over 70,000 coffee seedlings have been planted. In addition, 103 kilometers of roads are expected to be completed by late 1992. The GOL will build Customs checkpoints to prevent narcotics smuggling in the project districts.

The USG continues to press the Lao Government to establish an operational, dedicated counternarcotics police unit. If funding is available during FY 1992, the law enforcement project will focus on support, assistance, and coordination between DEA officers in Udorn and the MOI unit. Once staffed and organized, the USG will shift its emphasis to enhancing the effectiveness of the unit by providing vehicles and communications equipment. The USG objective is to establish a regular system of information exchange on cross-border narcotics trafficking and a cooperative liaison relationship between DEA and the unit.

Bilateral Cooperation and Accomplishments. The Houaphanh project has made substantial progress toward its goals. It is on schedule and is expected to accomplish its objectives. Despite initial political reluctance and resource limitations, the Lao have become more cooperative on law enforcement issues and have facilitated contact with DEA officers from Udorn and Bangkok.

The Road Ahead. The primary focus of U.S. policy will be to persuade the Lao Government to take a more active and aggressive position on counternarcotics matters. The USG will continue to emphasize the importance of Lao ratification of the 1988 U N Convention. The USG will also continue to press the Lao Government to take vigorous action to eliminate official corruption and collusion and to publicly punish those involved.

In addition to pursuing the Houaphanh crop substitution project, the USG will join the Lao, the UNDCP, and other donor countries in studying proposals to establish similar projects in other major opium producing areas. When the level of cooperation warrants, the USG will consider the establishment of a DEA office in Vientiane. This would enhance USG access to and influence with the Lao leadership at both the technical and policy level, and would contribute to the achievement of USG counternarcotics goals.

Statistical Tables

TABLES* for CY		*1992 est.*	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]	*29,000*	29,625	30,580	42,130	40,400
Eradication	[ha]	*0*	0	0	0	0
Cultivation	[ha]	*29,000*	29,625	30,580	42,130	40,400
Potential Yield	[mt]	*265*	265	275	375	361
HEROIN						
Theoretical Potential	*[mt]*	*27*	*27*	*28*	*38*	*36*
Seizures						
Opium	[mt]	-	0.165	0.575	-	0.206
Marijuana	[mt]	-	6.720 **	0.150	-	-
Heroin	[mt]	-	0.015	-	-	

*Narcotics and law enforcement statistics have not been kept in the past by the Government of Laos. The new Counternarcotics Commitee has this responsibility and is requesting the provinces to provide the Central Government with arrest and seizure data.

**Information from Lao Press.

MALAYSIA

I. Summary

Although no opium poppy is grown in Malaysia, illicit heroin processing, trafficking, and widespread addiction continue to be serious problems. The Government of Malaysia (GOM) conducts a serious, well-funded and well-administered anti-narcotics program, which includes law enforcement, primary prevention, treatment and education. Malaysia and the United States have an established history of anti-narcotics cooperation. During 1991, the USG and the GOM cooperated in conducting several demand reduction and law enforcement training programs in Malaysia.

II. Status of country

There is no evidence that opium poppy is grown in Malaysia but there is illicit heroin processing, trafficking, and widespread addiction. Traffickers smuggle heroin base into Malaysia from Thailand and Burma and convert it to smokable Heroin No. 3 in local facilities. Most of this production is consumed locally and has no apparent effect on the U.S. market. Although not abused in Malaysia because it is significantly more expensive than Heroin No. 3, substantial quantities of Heroin No. 4 pass through Malaysia en route to the U.S. and other western markets. In 1990, enforcement officials seized about 30 kg of Heroin No. 4 apparently destined for the United States. However, Malaysian authorities seized no Heroin No. 4 in 1991. Seizures of raw opium in 1991 declined from the large amounts confiscated in 1989 and 1990. Despite severe legal penalties for both drug use and trafficking, coupled with intense enforcement efforts, Malaysian authorities have not been successful in reducing narcotics trafficking or destroying drug laboratories.

The size of the opium crop in the Golden Triangle and the level of enforcement effectiveness in the region determine the flow of opiates into Malaysia. Continued good harvests and enforcement shortfalls in Burma have caused a steady increase in the regional supply. Despite substantial narcotics seizures in Malaysia since 1988, opiates generally continue to be available at stable prices for the local addict population.

Small quantities of cannabis are cultivated in Malaysia, chiefly in the east Malaysian states of Sabah and Sarawak. Most marijuana sold in Malaysia, however, is smuggled across the land border from Thailand or enters east Malaysia from the Philippines. East Malaysia's primary drug problem is the abuse of marijuana produced in and imported from the Philippines.

Narcotics smuggling and trafficking in Malaysia is centered in northwest Malaysia, chiefly on the islands of Penang and Langkawi and along the land border with Thailand. Increased controls along this border have resulted in more smuggling by sea, mainly by fishing and barter boats between Thailand, Burma and northern Malaysia. In 1991, reports continued that narcotics also are being shipped directly to Malaysia from Burma. Although Nigerian traffickers reportedly began to smuggle Heroin No. 4 to the U.S. from Thailand via northern Malaysia in 1990, no Nigerian traffickers or couriers were arrested in Malaysia during 1991.

III. Country Actions Against Drugs in 1991

Policy initiatives. The fight against drug abuse and trafficking has been a top GOM national priority since 1983. An anti-narcotics committee reports directly to the Prime Minister, and its executive arm, the Anti-Narcotics Task Force (ANTF), operates as the key GOM anti-narcotics coordinating body. Similar bodies operate at the state and local level and their activities are closely coordinated by the ANTF. The GOM's second five-year anti-narcotics plan retains current priorities -- prevention and enforcement, rehabilitation, manpower development, international cooperation and coordination.

Malaysia's drug laws rank among the world's most severe. The GOM complements its stringent enforcement measures with an active outreach program designed to enhance public awareness of the nation's drug problem. Using school programs, television spots by entertainers, fund-raising walkathons, highway billboards and conferences, the program seeks to spur greater involvement by parents and community organizations in the campaign against illicit drugs.

About forty percent of Malaysia's $20 million anti-narcotics budget is used for rehabilitation. Currently, Malaysia has eighteen operational rehabilitation centers with a total capacity of 5,600 patients. The government uses four additional centers to increase total capacity to about 7,000. The GOM plans additional halfway houses and after-care centers with a total capacity of 4,500, and plans to convert two police camps in Penang to treatment and detention centers, increasing capacity by another 2-4,000. Rehabilitation services are also provided in small voluntary/private centers.

Approximately 60 percent of the annual $20 million budget is allocated to enforcement, education, and prevention programs. The police have established a specifically designated anti-drug unit with 1,775 personnel. Nearly 1,400 Customs officers conduct anti-smuggling operations, including anti-narcotics work, but only 48 Customs officers in the Preventive Division formally specialize in counternarcotics.

Accomplishments. Since Malaysia has not yet ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, its anti-drug efforts have not been measured against UN Convention goals and objectives. Rather, the 1984 GOM anti-narcotics action plan formulates a comprehensive strategy which stresses primary prevention, legislation and law enforcement, treatment and rehabilitation, manpower development, research and evaluation of anti-narcotics programs.

Law Enforcement Efforts. Malaysia's illicit drug laws are very severe. The Dangerous Drugs Act mandates the death sentence for narcotics trafficking. Possession of small quantities of proscribed drugs (15 grams of heroin or morphine, 200 grams of marijuana, one kg of opium) creates a legal presumption of intent to traffic. From 1975 through December 1990, Malaysia hanged 126 drug offenders, including 34 foreigners. An additional 257 convicted traffickers, including 20 foreigners, currently await execution. The Dangerous Drugs (Special Preventive Measures) Act of 1985 empowers the government to detain suspected drug traffickers without trial. Royal Malaysian Police arrested 686 people for offenses under this Act during 1991; 424 of these were ordered detained under the Act's preventive detention provision. In 1990, Parliament extended this provision of the Act for another five years.

Most observers agree that Malaysia should enact criminal conspiracy laws, but enforcement officials believe preventive detention laws are easier and cheaper to enforce. Asset seizure legislation enacted in March 1988 provides for procedures to seize and forfeit assets derived from drug trafficking, outlaws money laundering, and authorizes international cooperation in seizure cases. However, this legislation has proven to be ineffective because of internal procedural disagreements.

Heroin seizures in 1991 were 238 kg, which is an increase over the 189 kg seized in 1990. Given the same level of effort and the same degree of production outside Malaysia, seizures are expected to be about 200 kg in 1992.

Corruption. Corruption is known to exist in some of Malaysia's law enforcement agencies, particularly in Penang where ethnic-Chinese "Triad" gangs control most narcotics trafficking. In addition, there are reports that some anti-narcotics officials have received death threats from Chinese gangs. Police agencies have difficulty recruiting ethnic Chinese officers for anti-narcotics work, and ethnic Malay officers have been ineffective in penetrating Chinese-controlled trafficking rings.

Some police and prison officials have been charged with corruption and involvement in narcotics trafficking. The most important case to date was the 1989 conviction and sentencing to death of the anti-narcotics

police chief in the eastern state of Terengganu for marijuana trafficking. In 1991, a senior police official with drug enforcement responsibilities was removed because of the loss of seized assets. Responding to allegations in 1990 that some employees at rehabilitation centers supplied drugs to inmates, the GOM revised its screening and drug-testing procedures for center employees.

These actions suggest that Malaysia is taking the steps necessary to eliminate bribery and corruption which facilitate narcotics trafficking.

Agreements and Treaties. An original signatory of the 1988 UN Convention, Malaysia has not yet ratified the pact, pending completion of the process of harmonizing domestic legislation with the Convention. Malaysia is a party to the 1961 Single Convention on Narcotic Drugs, the 1972 Protocol to the Convention and the 1971 Convention on Psychotropic Substances.

Malaysian and U.S. officials have met periodically since 1988 to negotiate an extradition treaty, but no agreement has been concluded. The United States and Malaysia signed a Memorandum of Understanding in 1989 on bilateral narcotics cooperation.

Domestic Programs. The GOM points to a decrease in the growth rate of the new addict population as evidence of the effectiveness of its demand reduction policies. For example, 14,624 new addicts were registered in 1983 in Malaysia; by 1990, the last year for which comparable data are available, the figure had dropped by about 50 percent to 7,372. Following the recommendations of a 1990 seminar on drug treatment and rehabilitation, the GOM sparked increased private sector participation in primary prevention and treatment. Local businesses responded to requests to fund education and information programs and donated funds to the GOM's anti-narcotics trust account. In addition, a series of training courses conducted for leaders of Malaysia's major religious faiths. These courses sought to improve the knowledge and skills of clerics in drug prevention efforts. A pilot program in 1990 included only Muslim clerics, but the program was expanded in 1991 to involve Christian and Hindu religious leaders.

The GOM hosted a joint seminar on treatment and rehabilitation sponsored by the Association of Southeast Asian Nations (ASEAN) and the European Community (EC) in July. Seminar participants adopted a number of recommendations to strengthen drug treatment and rehabilitation programs.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG seeks to augment already good cooperation with Malaysia in the fight against international narcotics trafficking.

U.S. anti-narcotics cooperation with the GOM also seeks to assist Malaysia to improve domestic enforcement of its anti-drug laws, to increase the effectiveness of domestic programs in primary prevention and treatment of drug abuse, and in conducting drug abuse education programs.

Bilateral cooperation. Cooperation between Malaysia and the U.S. in 1991 included a number of programs financed by grants from the State Department's Bureau of International Narcotics Matters (INM). Trainers in the therapeutic-community concept from a private U.S. organization (Daytop Village Foundation) conducted demand reduction courses in May and November. The U.S. Customs Service conducted a contraband enforcement training program in July. The Director of the Prime Minister's Anti-Narcotics Task Force visited the United States.

Underwritten by a USAID grant, representatives from government, private business and labor attended a regional task force meeting on drugs and the workplace in Manila during November. In December, a U.S. Coast Guard training team conducted two maritime law enforcement courses for Malaysian law enforcement agencies involved in narcotics interdiction.

Future cooperation. The USG intends to continue close cooperation with the GOM on anti-narcotics matters and will provide assistance, as funds permit, for Malaysian narcotics control activities where the USG has special expertise. These areas include demand reduction, law enforcement, and information management. It is hoped that additional training will increase the professionalism of enforcement and treatment authorities, allowing them to enhance their programs.

Statistical Tables

TABLES for CY		*1992* est.*	1991	1990	1989	1988
Refining**						
Heroin	[mt]	*6.0*	6.0	6.0	6.0	4.7
Seizures						
Opium	[mt]	*0.05*	0.085	0.065	0.730	0.272
Heroin	[mt]	*0.2*	0.238	0.189	0.297	0.306
Marijuana	[mt]	*9*	0.869	1.129	1.837	1.240
Arrests ***						
Nationals		-	-	-	11,554	11,580
Foreigners		-	-	-	60	80
Total Arrests		*7,500*	7,186	9,259	11,614	11,660
Labs Destroyed						
Heroin		-	-	4	6	5

* Estimates for 1992 are US Embassy estimates. The Government of Malaysia provided the remaining data.

** Heroin No.3 is produced in Malaysia; Heroin No. 3 is converted from base for domestic sale, but quantities are unknown.

*** Since 1988, virtually all narcotics arrests are under the Dangerous Drug Act. Among the 60 foreigners arrested in 1989 was one American citizen charged with trafficking marijuana.

PHILIPPINES

I. Summary

Marijuana production and trafficking continued to be the dominant narcotics export problems facing the Philippines, while methamphetamine remained the drug of choice among a growing community of users. Although the Philippines neither produces nor exports opium or heroin, its geographic location and limited law enforcement capabilities have made it an attractive transit point for the heroin trade aimed at the U.S. and Europe.

II. Status of Country

As the Philippine economic situation has worsened, cannabis' appeal as a cash crop has increased. The lead narcotics agency in the Philippines, the Dangerous Drugs Board (DDB), notes that tribal minorities in the mountainous areas of northern Luzon are increasingly aware of the profitability of cannabis cultivation as an alternative to vegetable farming. In one of its largest eradication operations of 1991, the Narcotics Command (NARCOM) branch of the Philippine National Police (PNP) also uncovered evidence that the New Peoples Army (NPA) communist insurgents are supplementing their dwindling sources of income by cultivating cannabis. Marijuana is smuggled out of the country by private vessels and in commercial cargo destined for East Asian and Pacific nations as well as the U.S.

The abuse of methamphetamine, known locally as "shabu", is on the rise. Sizable shipments from Japan, Taiwan, and Korea seized in 1991 point to a thriving domestic consumer and possibly export market. The late 1991 interception of a 120 kg imported shipment of illegal ephedrine, a primary ingredient in the manufacture of the drug, suggests domestic manufacture.

Manila is becoming a transit point for heroin shipments from the Golden Triangle to the U.S. and Europe. Despite resource limitations, Philippine authorities cooperate with U.S. Drug Enforcement Administration (DEA) officials to stem the flow from several points in Asia.

III. Country Action Against Drugs in 1991

Policy Initiatives. The Government of the Philippines (GOP) continues to express a strong commitment to narcotics eradication and prevention. However, an inadequate budget, inefficient procedures, endemic corruption, and numerous, pressing economic problems prevent the GOP from taking effective actions.

Accomplishments. For the period January-June 1991, government counternarcotics actions resulted in 1,445 arrests. Approximately 768 drug users were identified.

In the first half of 1991, GOP authorities identified and targeted for eradication 42 cannabis cultivation sites in which over 2.8 million cannabis plants (said to be the potential equivalent of 1,272 mt of marijuana) were seized and destroyed. Although DDB figures for the second half of the year are not available, DEA reported two separate eradications in August and September, yielding 568 mt tons and 13.1 mt, respectively, of marijuana plants and seedlings. From January to June, 81 kg of methamphetamine were seized. In September, the NARCOM broke up a major methamphetamine smuggling ring responsible for the importation of over 65 kg of shabu.

Law Enforcement Efforts. The Dangerous Drugs Act of 1972 provides heavy penalties for narcotics trafficking, including lengthy imprisonment, seizure of assets, penalties for conspiracy, and the requirement that drug cases be adjudicated within 105 days after initiating prosecution. The Department of Justice has established a special team of prosecutors for narcotics violations. There are, however, few prosecutions of major narcotics figures.

A number of GOP agencies are involved in drug law enforcement. The DDB is the policy-making and coordinating agency for all matters pertaining to judicial enforcement, the control of illicit drugs, and the treatment and rehabilitation of users. Enforcement actions are undertaken principally by the NARCOM. The National Bureau of Investigation (NBI) also conducts drug investigations, albeit on a smaller scale.

Corruption. The Dangerous Drugs Law provides for penalties against government officials involved in the importation, production, sale, distribution, or transportation of illicit drugs. However, budgetary constraints and lax enforcement practices render the provisions ineffective. Corruption within law enforcement agencies is widespread.

International and Bilateral Agreements. The GOP is a party to the 1961 Single Convention on Narcotic Drugs and the 1972 Protocol Amending the Single Convention. It is a signatory to the 1988 UN Convention Against Trafficking in narcotic Drugs and Psychotropic Substances, but has not yet deposited its instrument of ratification. The GOP regularly meets with other Association of Southeast Asian Nations (ASEAN) members to discuss drug issues and has signed bilateral extradition treaties with Indonesia, Thailand and Canada. The Philippines does not have an extradition treaty with the U.S.

The GOP maintains cooperative bilateral narcotics relationships with the U.S., Canada, the UK, Germany, the Netherlands, Japan, Australia and New Zealand, as well as with its ASEAN neighbors.

Cultivation and Production. The tropical climate of the Philippines is conducive to the cultivation of high-grade cannabis. Principal areas of cultivation are central and northern Luzon, Leyte, southern Leyte, Cebu and Palawan.

Domestic Programs. GOP agencies operate 44 residential and outpatient rehabilitation centers which accept an average of 1,000 new patients a year. The NARCOM operates one of the largest such programs in the world (780 resident patients) and claims an 80 percent success rate.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The USG's principal objective is to halt the movement of drugs to the U.S. from and through the Philippines. To this end, DEA works closely with its counterparts to improve the effectiveness of narcotics interdiction efforts. Appropriate GOP authorities have been encouraged to step up cannabis eradication. GOP officials are aware that lawmakers must enact necessary legislation to bring the country's laws in line with the 1988 UN Convention to be fully effective in narcotics interdiction. However, progress is extremely slow and disappointing.

Bilateral cooperation. DEA has initiated programs to improve the professionalism of the GOP narcotics investigative capability.

The Road Ahead. USG anti-drug programs in the Philippines are aimed at improving the internal capabilities of GOP drug law enforcement. Short-term goals include eliminating the cultivation of cannabis, the production and export of methamphetamine, and the transit of heroin. Extradition and mutual legal assistance issues are being discussed bilaterally.

Statistical Tables

TABLES for CY		1992	1991*	1990	1989	1988
Seizures						
Cannabis Seized**	[mt]	3.00	0.50	1.10	-	-
Methamphetamine Seizures	[kg]	-	81	52	-	-
Arrests	[persons]	-	1445	2202	2,578	-

* January - June 1991 only.

**Philippine authorities report destroying over 2.8 million marijuana plants [said to be equivalent to 1,272 metric tons]. DEA reported two separate eradications yielding 568 metric tons and 13.1 metric tons respectively.

SINGAPORE

I. Summary

Singapore is neither a producing nor a processing center for narcotics, but international traffickers use the country as a storage and transit area for shipments as well as to launder their profits. In 1991, Singapore became a party to and participated in meetings of the Financial Action Task Force (FATF). The government has also drafted legislation on asset forfeiture with a provision for money laundering aimed at drug traffickers. This legislation should be approved by the Singapore Parliament in 1992. Singapore has a strong drug abuse control program.

II. Status of Country

Narcotics are neither produced nor processed in Singapore. Domestic consumption of illegal drugs remains relatively low, in part because of a strictly enforced death penalty against dealers. The government also operates a rehabilitation and monitoring program for known addicts that discourages recidivism.

Nonetheless, because Singapore is a major air and maritime port, international traffickers use Singapore as a storage area and transit zone for narcotics shipments. Commercial aircraft, vessels, and couriers remain the primary methods of transshipment. Local authorities have seized cannabis and heroin from ocean-going vessels in Singapore's harbor and from couriers transiting Changi Airport via Thailand, Malaysia, Burma, and Hong Kong to the U.S. and other destinations. In the last year, Singapore Central Narcotics Bureau (CNB) officers arrested a number of Nigerians carrying significant quantities of narcotics into Singapore from Thailand and Malaysia for distribution to couriers en route to the U.S., Europe, and Nigeria. There have also been several heroin seizures involving Asian and European couriers transiting Changi Airport en route to Europe and the U.S.

The Monetary Authority of Singapore (MAS), which regulates international financial policy, contends that its strict control of the banking system inhibits money laundering by drug traffickers.

III. Country Actions Against Drugs in 1991

Policy Initiatives. In part because of approaches by the USG and other concerned governments, the Government of Singapore (GOS) joined

the FATF and is drafting legislation to criminalize money laundering and permit asset forfeiture, which should be approved by the Parliament in 1992. The GOS has also been more receptive to international dialogue and cooperation on drug transit issues.

Accomplishments. The GOS has improved its inspection procedure for transit vessels in its harbor, although not to the degree we believe required.

Law Enforcement Efforts. Opium seizures through the first nine months remained at about the same level as in the previous year. Heroin seizures, however, were twice that of the same period in the previous year. Narcotics arrests were down slightly. These statistics indicate that trafficking remains a problem for Singapore.

The U.S. Drug Enforcement Administration (DEA) believes that the Central Narcotics Bureau is highly effective. Corruption in the law enforcement area, as in the GOS, does not seem to be a significant problem.

For the first time, the GOS extradited to the U.S. in 1991, narcotics fugitives who were not U.S. citizens. The case, involving three individuals, marked a significant step in cooperation with U.S. law enforcement agencies.

Agreements and Treaties. As a member of the FATF, Singapore will be required to take certain steps, such as accession to the 1988 UN Narcotics Convention and criminalization of money laundering. Additionally, Singapore has agreed to accept the FATF's basic principles.

Domestic Programs. The number of addicts -- about 15,000 in a population of 2.7 million -- appears stable, and drug consumption (mostly heroin and cannabis) has declined. Three factors are primarily responsible: the country's draconian penalties against drug abuse, notably the death penalty for importing, or trafficking in, even small quantities of illegal drugs; the island state's compact nature; and the GOS' rigorous addict rehabilitation programs.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. For several years, the USG has urged Singapore to enact asset seizure legislation that would also criminalize money laundering in narcotics-related cases, provide for the international sharing of financial information concerning drug trafficking, and authorize forfeiture of drug proceeds. USG officials visited Singapore in March and July to consult with the GOS and to promote increased counternarcotics activities.

Bilateral Cooperation. In a July meeting with an interagency group from Washington, the GOS Home Ministry and the MAS agreed to enact

legislation to meet U.S. and international concerns, implementing asset forfeiture with some narcotics-related money laundering provisions. In addition, the GOS agreed to endorse the recommendations of the FATF. In September, GOS officials participated in the FATF III meeting. Progress on money laundering and asset forfeiture has been slow, but encouraging. The Home Ministry and the MAS have drafted legislation that is currently under review by the Attorney General. The legislation should go to the Parliament when it reconvenes in 1992. Enactment of this legislation would mark a major achievement toward U.S. narcotic policy goals in Singapore.

The USG did not provide any narcotics-related funding assistance to Singapore during 1991.

The Road Ahead. Once Singapore enacts legislation to provide for asset forfeiture and to criminalize money laundering in narcotics-related cases, U.S. agencies will monitor GOS implementation of the law to augment cooperation between U.S. and Singaporean law enforcement authorities in sharing drug-related financial information.

Statistical Tables

TABLES for CY		1992 est.	1991*	1990 [a]	1989	1988
Seizures						
Opium	[kg]	-	54.60	40.00	-	0.07
Heroin	[kg]	-	50.30	20.00	-	0.03
Marijuana	[kg]	-	84.80	30.00	-	0.05
Arrests		-	3,501	-	3,648	3,693
Domestic Consumption						
Opium	[mt]	-	-	-	-	-
Heroin	[mt]	-	-	-	-	-
Marijuana	[mt]	-	-	-	-	-
Users /b	persons	-	5,500	5,573	5,037	4,734

(a) January-September 1990 data provided by the Central Narcotics Bureau.
(b) Average daily population of rehabilitation centers.
*January-September 1991 data provided by the Central Narcotics Bureau.

2/19/92

THAILAND

I. Summary

Thailand is a key transit area and minor producer for the heroin from the Golden Triangle of Southeast Asia, the source of most of the heroin sold in the United States. Decades of economic development and an annual eradication campaign have reduced Thai opium production to relatively small amounts, but Thailand is still the major staging area for Thai and Sino-Thai traffickers shipping heroin from Burma and Laos to the international market. Thai efforts to interdict such traffic have had some success but rapidly expanding production in the past three years has significantly increased the scope of the problem. The Thai National Police have created a Narcotics Suppression Bureau to expand and improve its interdiction capabilities. There were significant heroin seizures in 1991, including ones of 315 kg and 443 kg. Nonetheless, corruption, cross-border commercial relations with Burma, the rapid rise in container shipments from Thai ports, and the involvement of some influential Thai individuals who facilitate the narcotics trade, continue to obstruct effective enforcement.

Thailand took an important step toward addressing some of these problems in August with the passage of narcotics conspiracy and asset forfeiture laws, a major objective. A new Extradition Treaty with the U.S. came into effect in May. After the passage of statutes implementing the Mutual Legal Assistance Treaty (MLAT), Thailand is expected to ratify the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1992.

II. Status of Country

The hilltribes of northern Thailand have long cultivated opium for use as medicine in the absence of modern health care. The Thai Government's extensive development effort over the past few decades, financed largely by international donors, has gradually integrated many of the hilltribes into the Thai social mainstream and provided economic alternatives to growing poppy. There is still a ready market for Thai opium at large heroin refining operations across the border in Burma and Laos, and a few small-scale labs occasionally set up in Thailand's northern highlands. Nevertheless, Thai opium and heroin production today is a small fraction of overall Golden Triangle output.

Southeast Asia produces some of the highest quality marijuana available in the international market. Much of the production in Thailand's northeast growing areas has moved across the border into Laos, where the threat of eradication is much lower. Cannabis is cultivated increasingly in southern Thailand.

Thailand's major significance on the international drug scene is as a key trafficking conduit and a base of operations for ethnic Chinese traffickers. While firm data is unavailable, Drug Enforcement Administration and other law enforcement observers believe that a large percentage of heroin destined for the U.S. and other Western nations passes through Thailand. Thailand appears to be the preferred route for Burmese and Lao heroin because of its superior transportation and communications infrastructure. Road construction and other economic development projects that have helped to reduce Thai opium production have also facilitated heroin trafficking. Additionally, a rapid rise in containerized exports has increased the possibilities for smuggling large drug shipments out of Thailand's ports. Large amounts of heroin also move south by land and sea to Malaysia and Singapore.

Based on intelligence case histories, Thailand is not now believed to be a significant money laundering center. Most of the traffickers dealing in Thailand appear to work through financial syndicates based in Hong Kong and elsewhere and operate through informal, but well organized, ethnic Chinese money transfer organizations. There are currently no anti-money laundering laws. Nevertheless, Thai authorities have informed the USG that they plan to examine financial transactions in Thailand more closely as they implement the new conspiracy and asset forfeiture law.

Thai roads are the preferred route for essential chemicals which supply the heroin labs across the northern borders. While a few seizures were made in 1991, it is often difficult to distinguish chemicals intended for narcotics production from those destined for legitimate industrial uses. The government's task of interdicting precursor chemicals is further complicated by refiner efforts to produce their own "final use" chemicals required for heroin production, such as acetic anhydride, by importing raw chemicals which are more difficult to tie to narcotics production.

III. Country Actions Against Drugs in 1991

Policy Initiatives. In November, the Thai Cabinet approved a five-year Narcotics Control Plan for 1992 through 1996. The comprehensive Plan sets a number of goals: 1) elimination of narcotics production through expansion of crop control and eradication and improvement of intelligence work; 2) reduction of narcotics trafficking by increasing the number of arrests of major drug traffickers by 10 percent annually and targeting drug trafficking organizations for prosecution under conspiracy and asset forfeiture laws; and 3) reduction of drug abuse through enhanced education and treatment efforts.

Agreements and Treaties. Thailand is a party to the 1961 Single Convention on Narcotic Drugs, the 1972 Protocol to the Single

Convention and the 1961 Convention on Psychotropic Substances. A new Extradition Treaty with the U.S. came into force in May. Enabling legislation for the MLAT is under consideration. With this, and the passage in August of long-awaited conspiracy and asset forfeiture laws, Thailand should be ready to ratify the 1988 UN Convention in 1992.

Thailand was an observer in meetings of the Chemical Action Task Force. Officials are making regulations conform to those recommended by the Task Force. These commitments, together with the annual narcotics project agreements signed with the USG, meet the Chiles Amendment requirements.

Law Enforcement Efforts. Heroin seizures in Thailand in 1991 totalled approximately 1,700 kg. Included in this total were a 443 kg seizure, the largest in over three years, on a fishing trawler off the coast in May and a 315 kg seizure at the Bangkok port in late December. Both seizures were well planned and executed and resulted from joint U.S./Thai investigations. Opium seizures remained the same as previous years, at about 830 kg. Marijuana seizures in 1991 dropped to about 30 mt, down from 130 mt in 1990, reflecting the continuing movement of marijuana production out of Thailand. In 1991, five small scale heroin refineries were reported destroyed, up from two in 1990. Overall narcotics arrests were down, from 56,000 in 1990 to a projected 47,300 in 1991. Most of these arrests were for petty possession and personal use. Only thirty of these arrests involved seizures of more than ten kg of heroin -- which DEA defines as Class I offenses. Thai police and DEA are also cooperating closely in investigations resulting from the June seizure of 494 kg of heroin in Oakland, California. In addition, Thai press reports indicate that opium, marijuana, and heroin shipments are sent through the mail. Extrapolating from 1990 statistics, about 40 kg of opium with smaller amounts of heroin and marijuana were probably intercepted through the first six months of 1991.

The Police Narcotics Suppression Bureau (PNSB), created in 1990, worked throughout the year to incorporate the various ad hoc police narcotics units which had previously worked independently. The attention by the police to this reorganization process may have contributed to the drop in narcotics arrests. As the bureau is consolidated and expanded, its capabilities should grow. The government created divisions focussed on conspiracy prosecutions in the Office of Narcotics Control Board (ONCB) and the PNSB since the new narcotics law makes narcotics conspiracy a crime.

There is no evidence that the RTG as a matter of policy protects or gives haven to known traffickers.

Corruption. As a matter of government policy, Thailand does attempt to suppress the production and transit of illegal drugs, as well as the laundering of drug money; however, Thai security and commercial

relationships with Burmese ethnic insurgents -- many of whom are drug traffickers -- have had the side effect of facilitating drug trafficking. Narcotics-related corruption continues to be a major factor hampering Thai narcotics suppression.

Inspired historically by anti-communist and border security concerns and more recently by commercial interests, there is a network of relationships among Thai military and government officials and the ethnic groups in Burma and Laos, some of which are heavily involved in the drug trade. In this environment, there are continuing reports that some Thai police, army and civilian officials -- a few of significant rank -- have facilitated and profited from drug trafficking. For its part, the Thai government has said it will take legal action against corruption when it has evidence usable in court. These reports of illicit actions normally contain insufficient evidence for bringing prosecutions. Well-known traffickers such as SUA's Khun Sa are no longer allowed into Thailand by the RTG which does not protect or give haven to known traffickers. The RTG, however, has not brought cases against major Thai traffickers.

Cultivation and Production. Opium has been grown since the mid-1800s in northern highlands at elevations over 800 meters (often accessible only by foot) by nomadic hilltribes who are not culturally, religiously, linguistically or often even legally part of mainstream Thailand. Opium is used by the hilltribes for medicinal purposes and has particular value as a cash crop in areas where infrastructure shortfalls make marketing of other crops difficult. In recent years, some opium cultivation by traditional growers has been supplemented by commercial enterprises financed and managed by heroin traffickers.

Opium cultivation in Thailand is illegal. The Thai King has banned the use of herbicides or aerial eradication. The Thai government, however, seeks to reduce opium production through prevention patrols by army troops just prior to the growing season, and by manual eradication. Eradication efforts are complicated by a desire not to alienate hilltribe growers, formerly the basis for a Communist insurgency. Hilltribe opium farmers are generally not arrested, but police have taken action against commercial opium growers who resist eradication. Recent trends in response to eradication and enforcement efforts include dispersion of poppy fields, intermingling of other crops, and staggered cycle planting -- practices which make eradication more difficult.

Nonetheless, the USG estimates opium cultivation to be 3,000 hectares, which is about a 14% drop from the previous year. An opium yield study conducted in Thailand from December 1991-February 1992 indicated that yield was about 28 percent lower tha previously supposed. (11.6 kg/ha, instead of 16 kg/ha.) By this ratio, Thailand's estimated potential production was 35 mt in 1991.

Eradication reportedly increased from 720 to 1,200 ha between 1990 and 1991. The USG believes that this eradication effort resulted in maximum achievable reductions in production. Assuming the same level of effort by RTG authorities in the next year as that of the past year, approximately the same level of reduction in hectarage is the maximum that can be expected. However, tonnage reductions are uncertain due to possible revision of yield calculations.

Domestic Programs. Systematic surveys of target groups are still in the early stages and the lack of historical data makes it difficult to gauge how effective current prevention efforts are. In 1991, a joint USG/Thai study determined that there were 36,600 heroin addicts in Bangkok alone. There is an emerging awareness of the rapid increase of new heroin addiction among hilltribe youth in the north and among Muslim youth and fishermen in the south.

Drug prevention information is integrated into the Thai educational curriculum in primary and secondary schools and is broadcast throughout the country in television spots and radio programs. Teacher training colleges require students to have at least one course in drug prevention education and the schools operate drug prevention outreach centers.

Drug treatment efforts include inpatient and outpatient detoxification, therapeutic communities, religiously-oriented rehabilitation institutions, and self-help efforts. Thai health authorities believe amphetamine and inhalant abuse are the most widespread problems. Authorities also give attention to the high incidence of HIV (AIDS) infection among IV drug users.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The foremost goal of U.S. counternarcotics policy remains supporting continued Thai efforts to interdict heroin shipments, to arrest major heroin traffickers and to attack the trafficking organizations. The USG also seeks to eliminate opium poppy cultivation through assistance to eradication programs and to the development of viable economic alternatives for indigenous opium farmers. Several USG agencies as well as NGOs are also involved in Thai efforts to measure and curtail domestic drug abuse.

Bilateral Cooperative Efforts. Official Thai-American narcotics cooperation is close and longstanding. In 1991, the U.S. and Thailand signed specific project agreements to cooperate on law enforcement, crop control and demand reduction. The RTG allows DEA a substantial amount of involvement in anti-narcotics operations. The RTG detained suspects in response to two USG extradition requests. The cases are proceeding under the terms of the new extradition treaty signed in 1991. The USG provides significant financial backing for both law enforcement and opium eradication.

DEA has a major presence in Thailand and works closely with the Narcotics Suppression Bureau, the Border Patrol Police, the Provincial Police, and the Law Enforcement Division of the Office of Narcotics Control Board. DEA provides intelligence and operational support in many major narcotics arrest and seizure cases. INM, through the U.S. Embassy's Narcotics Affairs Section (NAS), provides substantial non-lethal commodity and training support for law enforcement units and finances U.S. Customs training for Royal Thai customs units. The U.S. Department of Defense is also working with Thai Customs to set up a regional center to monitor the movement of small vessels.

Economic development of northern highland areas has long been a cooperative effort between Thailand and foreign governments. USAID completed its last rural development project in the area in 1989, but Germany, Norway, Australia, the UN, and various Thai agencies continue to fund development efforts. INM funds a modest development program in areas generally not receiving development assistance from other sources in exchange for village commitments to stop growing opium poppy. With INM funding, the Thai Third Army, with help from Border Patrol and Provincial Police units, conducts an annual large-scale eradication campaign from November through February. By the end of the year, RTG authorities reported that about 940 hectares had been eradicated. The campaign was begun somewhat earlier than usual in 1991 so as to prevent early harvest. Campaign management is a cooperative effort between NAS, the American Consulate in Chiang Mai, and RTG elements.

NAS, USIS and USAID work with various elements of the RTG, media and non-governmental organizations to raise public awareness of the dangers of narcotics and build public support for more effective policies and enforcement. USIS keeps the U.S. narcotics policies and programs on the public record both in Thailand and internationally via foreign correspondent facilitation. USIS also conducts seminars and speaker programs, provides a sophisticated narcotics data base for academics and journalists, and conducts public opinion research on Thai attitudes toward narcotics use, policy, and the U.S. cooperative role. INM provides extensive training and technical assistance in the area of drug treatment and rehabilitation. USAID has helped Thai officials develop survey and analysis capability to measure drug abuse in Thailand and has supported a drug abuse prevention project by a private organization in one of Bangkok's largest slums. In accordance with U.S. law, USAID suspended assistance to the Thai after the military coup of February 23, 1991.

The Road Ahead. The USG will remain interested in providing support for narcotics law enforcement and crop control as long as Thailand remains a primary conduit for heroin trafficking and a source of opium

production. Increased allocation of Thai resources and funding would be a welcome measure of the RTG's commitment to counternarcotics efforts. Prompt and effective implementation of new conspiracy and asset forfeiture laws holds the greatest promise to improve RTG capability to reduce the heroin flow by bringing the organizers, financiers, and facilitators of the heroin trade to justice.

In 1992, a key US priority will focus on providing conspiracy and financial investigations training. INM, in cooperation with the Colombo Plan, will pursue the establishment of a regional training center for drug prevention and treatment. As Thai opium production has decreased, USG counternarcotics assistance has shifted to a greater emphasis on law enforcement. The FY 1992 INM budget for Thailand is about $2.5 million for law enforcement assistance, $1.2 million for crop control assistance, and $590,000 for drug awareness and education. While opium production has declined to a level which supports local hilltribe usage, continued effort is required to prevent a resurgence in remote areas. Current opium production levels are believed to be about the minimum possible.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]	2,600	3,000	3,435	4,075	2,845
Eradication	[ha]	1,400	1,200 [c]	720	720	1,760
Cultivation [a]	[ha]	4,000	4,200 [b]	4,155	4,795	4,605
Potential Yield	[mt]		35	40	50	28
Loss Factor	[mt]	4	5 [d]	46 [d]	4 [d]	-
Seized	[mt]	0.6	0.6 [f]	0.8 [e]	2.4	1.8
Consumed [g]	[mt]	53.0	53.0	53.0	53.0	53.0
Exported [h]	[mt]	-	-	-	-	-
Available for refining [h]	[mt]	-	-	-	-	-
HEROIN						
Produced [i]	[mt]	-	-	-	-	-
Seized in-country	[mt]	1.8	1.7 [k]	1.1 [j]	0.4	2.4
Consumed in-country [l]	[mt]	4.5	4.5	4.5	10-15	10-15
Exported [m]		-	-	-	-	-
CANNABIS						
Harvestable Cultivation	[ha]	-	-	-	-	-
Eradication [n]	[ha]	20	9	114	150	165
Seizures						
Opium	[mt]	0.6	0.6 [f]	0.8 [e]	2.4	1.8
Heroin	[mt]	1.8	1.7 [k]	1.1 [j]	0.4	2.4
Cannabis	[mt]	80	30 [p]	130 [o]	50	62
Other data						
Heroin Labs destroyed [q]		5	5	2	8	10
Narcotics Arrests			47,300 [s]	56,071 [r]	55,550	46,000
Heroin Users [t]		62,000	62,000	62,000	100-150	100-150
Opium Users [u]		35,000	35,000	35,000		

* Figure based on December 1991-Februrary 1992 Opium Yield Study. Average yield per hectare is 11.5 kg.

[a] Opium in Thailand is generally cultivated, harvested and eradicated from October to February each year. To make the data consistent with seizure and processing data, opium seasons are identified by the calendar year in which they end. For example, the October 1990 to February 1991 opium season is referred to as the 1991 calendar year season.

[b] As reported by the American Consulate in Chiang Mai.

[c] These figures are for "effective" eradication, as reported by the American Consulate in Chiang Mai. These data are based on on random and systematic technical analysis.

[d] Loss is estimated at ten percent.

[e] As reported by ONCB.

[f] Projected to year end on the basis of 487 kilograms having been seized by ONCB.

[g] Based on a dated ONCB estimate of 35,000 hilltribe opium addicts. No attempt has been

Statistical Tables

made to survey opium use in Thailand in many years. Addicts are assumed to consume 1.5 kilograms per year.

[h] Northern Thailand is part of a fluid regional opium market that transcends borders with Burma and Laos. Some opium produced in burma and Laos is consumed in Thailand. As available data indicate that Thailand consumes more opium than it produces, the net amount available for export and refining into heroin is zero.

[i] Small-scale heroin labs are set up in Thailand from time to time. Their overall production is no doubt small in comparison to labs in Burma and Laos, but the actual amount cannot be determined on the basis of available information.

[k] Projected to year end on the basis of 1104 kilograms seized through July, as reported by the ONCB, adjusted for the extraordinary 443 kilogram seizure in May 1991.

[l] Thai authorities have not yet calculated a revised figure for heroin addicts in Thailand since a joint study by the US Centers for Disease Control and the Thai Ministry of Health in late 1991 determined that there were 36,000 heroin addicts in Bangkok. Thai authorities had earlier calculated a total of 132,000 addicts in Thailand on the basis of an estimate of 77,000 addicts in Bangkok. Using the same ratio and the new figure for Bangkok, the US Embassy calculated a figure of 62,000 heroin addicts for country as a whole. No trend data is available. Consumption is estimated by ONCB at .2 grams per addict per day.

[m] Thailand is part of a fluid regional heroin market that transcends borders with Burma and Laos. Some the heroin produced in Thailand may well be exported. Given Thai heroin consumption,the net amount available for export is probably zero.

[n] As reported by the ONCB.

[o] As reported by the ONCB.

[p] Projected to the end of year on the basis of 17.5 metric tons having been seized through July, as reported by ONCB.

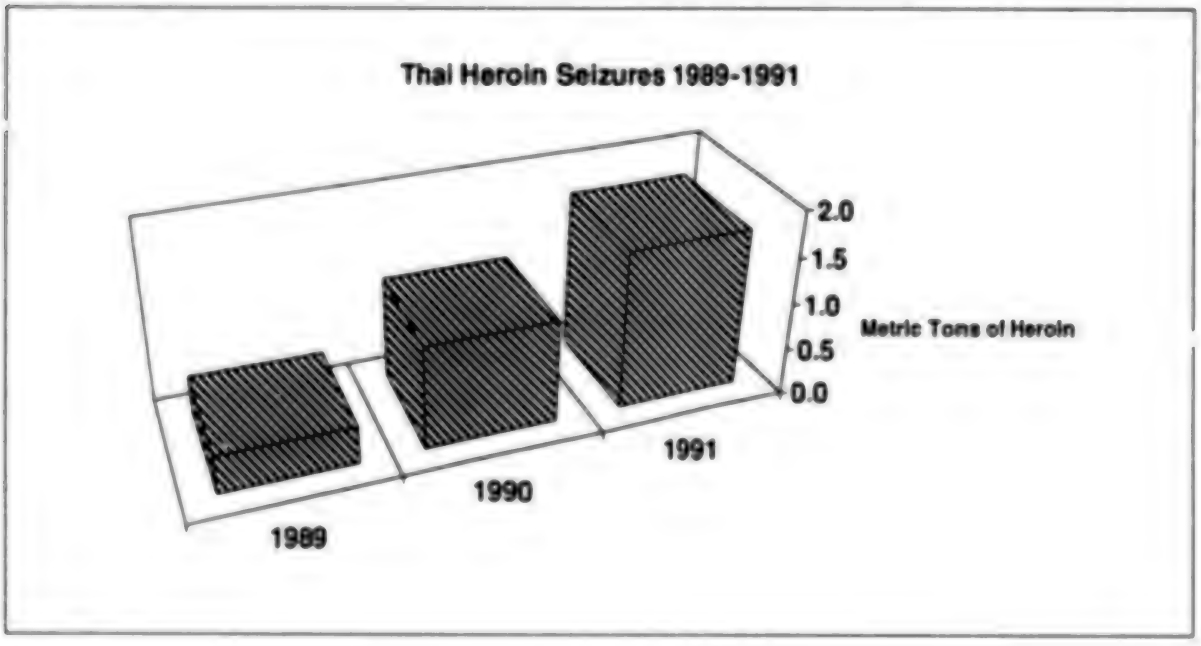
[q] As reported by DEA

[r] As reported by ONCB.

[s] Projected to end of year on the basis of 27,600 arrests through July, as reported by ONCB.

[t] See note [l] above.

[u] See note [g] above.



OTHER ASIA AND PACIFIC

AUSTRALIA

I. Summary

Australia is primarily an illicit drug consumer country. No large-scale production of narcotics takes place. The U.S. Drug Enforcement Administration (DEA) and some Government of Australia (GOA) law enforcement officials maintain that Australia is a potential transshipment point for heroin. In support of this, officials point out that Australia is near Southeast Asia, has a significant organized Asian subculture, and enjoys the public perception that it is not a narcotics threat to the U.S. -- all factors that make it an attractive target for traffickers. Despite some major heroin seizures, reliable statistics on domestic consumption are not yet available.

II. Status of Country

Illicit drug use is a growing problem in Australia, and is recognized as such by the GOA. Domestic production of illicit drugs consists of cannabis and clandestinely manufactured methamphetamine for local consumption. There is no hard evidence that any of these drugs are destined for the international market, except for amphetamines, which are routinely smuggled into New Zealand. Marijuana is the most widely abused illicit drug in Australia; domestic production satisfies a large portion of the market. Southeast Asian marijuana is also in demand, and heroin is a serious problem. As of September, Australian authorities had seized 40 kg of heroin in 1991. Cocaine, smuggled in from the U.S. and South America, is becoming a problem, while hashish from Lebanon and Southwest Asia is also occasionally found. DEA suspects smugglers may be using containerized shipping to smuggle illicit drugs into and through the country.

III. Country Action Against Drugs in 1991.

Policy Initiatives. Although the GOA is pursuing a vigorous anti-drug policy, its record in 1991 was a mixture of progress and setbacks.

Australia has not yet ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, although the GOA has strongly endorsed it. Before the Australian Federal Government can ratify the Convention, all of the Australian

states must amend their internal legislation. The states have agreed to do so, but enacting these amendments does not appear to be a high priority for most of them. The GOA has completed actions on a national level to comply with the UN Convention.

A Mutual Legal Assistance Treaty between the USG and Australia would be helpful in investigating drug-related criminal offenses, including financial crimes and money laundering. Negotiations have been underway since 1988, and both countries believe they are close to agreement on a final text.

The Sixteenth Asia and Pacific Meeting of the Heads of National Drug Law Enforcement Agencies (HONLEA) was held in Canberra in 1991, hosted by the Australian Federal Police and the Australian Customs Service. Representatives attended from 31 countries and international agencies. The U.S. delegation found useful the working group meetings, which focused on trafficking trends, the methamphetamine situation, and controlled deliveries.

The GOA recently held two major conferences on Italian- and Chinese-organized narcotics crime.

Accomplishments. The GOA conducts a vigorous anti-drug campaign and endorses all goals of the UN Convention. As noted, it is bringing its domestic legislation into line with the Convention.

Law Enforcement Efforts. The Australian Federal Police (AFP) and DEA coordinate their efforts against narcotics trafficking. These efforts focus on disrupting the transshipment of narcotics. Six Australian state and three federal agencies devote significant resources to combatting illicit drugs. The U.S. and Australia cooperate on extraditions and prosecutions.

Corruption. During 1991, the Australian news media reported instances of political and police corruption. Some of the police corruption reportedly involved narcotics. However, the GOA pursues corruption aggressively. The USG is unaware of narcotics-related corruption among senior officials of the GOA.

Agreements and Treaties. A protocol to the 1974 U.S.-Australia Extradition Treaty was signed in 1990 but awaits ratification.

Cultivation and Production. Cannabis is the only illicit drug cultivated in Australia. Cannabis is grown throughout the country, but primarily in New South Wales and Queensland. Aggressive GOA eradication efforts continue. Aerial reconnaissance is employed to detect cultivation. Infrared techniques to identify crops have met with varying degrees of success.

Domestic Programs. The GOA has a number of demand reduction programs throughout the country.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The primary USG law enforcement goal is to assess trafficking trends and work with Australian agencies to curtail the movement of narcotics to the U.S.

Bilateral Agreements. The GOA and USG exchange narcotics-related intelligence information, and continue to extradite narcotics fugitives between the two countries.

The Road Ahead: The U.S. will continue to work on the transshipment issue with the GOA, and will assist the GOA in dealing with the increasing cocaine traffic from the U.S. and South America. The GOA is contesting a proposal to dispense heroin to registered users in the Australian capital area; legal obstacles make implementation unlikely.

NEW ZEALAND

I. Summary

New Zealand does not have substantial narcotics production or trafficking, nor does narcotics-related money laundering appear to be a major problem. But the Government of New Zealand (GNZ) is concerned about the increase in narcotics-related crime. Cannabis remains the most widely produced and consumed illicit drug, but neither this nor any other locally produced drug is exported in significant amounts. Despite declining resources for suppression and control, the GNZ is moving to pass legislation bringing it into full compliance with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and permitting its ratification.

II. Status of Country

New Zealand is not currently a center of narcotics production, trafficking, or money laundering; nor is it a source of precursor chemicals. An increase in both production and trafficking, however, is straining the limited resources deployed by the GNZ against the drug trade.

III. Country Action Against Drugs in 1991

Policy Initiatives. Partly because of a change in government in October 1990, the GNZ entered 1991 with only limited specific plans for

eliminating illicit drugs. Its goal was to make greater progress in eradicating cannabis production, while placing the primary emphasis on private and public demand reduction and rehabilitation programs.

Accomplishments. Before it can ratify the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the GNZ must bring its national legislation into conformity with the Convention's goals. To this end, the government has introduced an asset forfeiture bill which is likely to be passed by parliament in early 1992. The GNZ plans to introduce money laundering legislation in 1992. It may also consider an international cooperation bill authorizing bilateral narcotics cooperation agreements.

Law Enforcement Efforts. The absence of asset seizure and money laundering legislation has hampered the GNZ's enforcement efforts to confiscate the assets of convicted traffickers. Resources for enforcement seem insufficient to contend with what appears to be an increasing, though still minor, problem. If the Parliament passes asset seizure legislation in 1992, the new law may bring with it additional enforcement resources.

The GNZ and USG cooperated on narcotic-related extraditions in 1991.

Corruption. The USG is unaware of any reports of official narcotics-related corruption in New Zealand.

Agreements and Treaties. The GNZ has no formal, bilateral narcotics agreements with other countries. It uses existing customs, police and Interpol agreements, as well as informal relationships, to foster international counternarcotics activities. The U.S. and New Zealand entered into a bilateral Extradition Treaty in 1970.

Cultivation and Production. Cannabis is becoming an increasingly serious problem. Government officials acknowledge that New Zealand's marijuana production can now support the nation's marijuana-abusing population. More cannabis is being seized and destroyed, but more is also available on the streets. The GNZ made only limited inroads into marijuana production during 1991, but officials believe that, by the end of 1991, seizures of cannabis plants will be at near-record totals. The GNZ appears to be making adequate efforts to eliminate cultivation.

The amount of other illicit drugs is also on the rise. There has been an increase in the production of home-baked heroin derived from codeine, thefts of legitimate pharmaceutical drugs, and imports of LSD and amphetamines. Government authorities have noted the emergence of more sophisticated drug production and distribution methods at the same time as resources available for drug control are levelling off.

Domestic Programs. In 1991, the GNZ gave responsibility for oversight of programs to combat narcotics abuse to a government committee chaired by the Department of Health. This program placed greater emphasis on demand reduction programs and rehabilitation than on law enforcement.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. USG goals have been to encourage GNZ enforcement authorities to eliminate domestic drug production and control drug transit; to assist by providing training; and to cooperate with the GNZ to detect and reduce the flow of drugs destined for the United States.

Bilateral Cooperation. Although there is no formal bilateral narcotics control agreement, the GNZ cooperates with a number of USG organizations. The USG provided two training positions for GNZ officials in U.S. Drug Enforcement Administration (DEA) and U.S. Customs Service courses. If the asset forfeiture legislation passes, the GNZ will have taken an important step forward toward establishing a more effective counternarcotics structure.

The Road Ahead. To encourage the GNZ to attack its illicit drug problem, the USG will continue to offer training programs for enforcement officials and share relevant U.S. narcotics legislation as a possible model for New Zealand. It will continue to assist in monitoring trafficking through cooperative efforts among U.S. and various Pacific customs services to track the movement of small vessels, and will encourage New Zealand to ratify the 1988 UN Convention.

V. Statistical Tables - No statistical data is available.

EUROPE

AND

THE MIDDLE EAST

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BULGARIA

I. Summary

Bulgaria is an important transit area for Southwest Asian heroin. Seizures in a number of West European countries indicate that Bulgaria's main highway and railways connecting the two regions are still the primary routes used by the trafficking organizations. Recent intelligence suggests that Nigerian heroin traffickers, travelling on commercial air flights, are increasingly using Bulgaria as a transit country. Additionally, Bulgarian officials now believe that the domestic problem is growing. Traffickers appear to be making inroads into the region by expanding internal distribution networks and heroin markets.

Nevertheless, 1991 was a pivotal year for Bulgarian drug control cooperation with the U.S. and other countries. Coinciding with the rapid movement towards democratic political institutions, Bulgaria's post-communist leaders have indicated that anti-drug cooperation is a key priority, to put to rest any lingering suspicions of government involvement in narcotics trafficking stemming from the previous regime. Bulgaria bolstered enforcement efforts, and seizures increased on Bulgarian territory. In addition, political democratization led to a much broader range of contacts with anti-narcotics organizations in other countries. In 1991, the Government of Bulgaria (GOB) established the "Central Organization for Combatting Organized Crime and Narcotics Trafficking" in the Ministry of Interior, which centralized government anti-narcotics efforts.

Bulgaria signed the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in April 1989. The GOB's primary attention was on drafting a new constitution and election law during 1991, and the Parliament is expected to ratify the Convention in 1992.

II. Status of Country

Illicit drug traffickers continue to exploit Bulgaria's location, smuggling significant quantities of illicit narcotics (particularly heroin) from Southwest Asia and Turkey to the West. The difficulty of inspecting the large number of bonded (TIR) trucks that transit the Balkan route makes it even more attractive to traffickers. In addition, they increasingly have begun to target the domestic population, according to Bulgarian officials. Historically, Bulgaria has been considered only a drug transit country without a serious internal abuse problem. Local officials still consider this to be accurate but warn that, with the opening of Bulgarian society, consumption is likely to increase.

III. Country Action Against Drugs in 1991

Policy Initiatives. The most significant policy initiative of the GOB was the formation of the Central Organization for Combatting Organized Crime and Narcotics Trafficking which began operations on July 1. The Central Organization has been assigned the primary authority to coordinate GOB anti-narcotics activities.

The Central Organization coordinates the anti-narcotics activities of Bulgaria's several police forces and its Customs Service. Organizationally, its narcotics trafficking elements include an International Trafficking and Intelligence Division and a division focused on demand reduction. In addition, because its mandate extends beyond narcotics control to the entire range of organized criminal activity, this office can target narcotics-related, issues such as official corruption and money laundering.

Corruption. A primary objective in establishing the Central Organization was to eradicate any possible official corruption related to narcotics activities. The USG has no indications that senior Bulgarian government officials are currently involved in the drug trade. The GOB has expressed its determination to pursue the investigation and prosecution of officials engaged in the production, processing or shipment of narcotics.

Agreements and Treaties. During 1991, Bulgaria reached bilateral agreements on cooperation in anti-narcotics activities with Greece and Austria. The GOB also held discussions on a similar agreement with Turkey.

Although the 1988 UN Convention was not ratified by the Bulgarian Parliament during 1991, some progress was made. For instance, the preliminary inter-ministry coordination required to implement the Convention was completed. The Bulgarian Council of Ministers is expected to send the Convention to Parliament for formal ratification in early 1992. Meanwhile, the GOB has declared that it will adhere to the Convention's terms to the extent possible prior to ratification.

IV. U.S. Policy Initiatives and Programs

U.S. Goals and Objectives. The USG's primary objective during 1991 was to increase access to and cooperation with Bulgaria's counternarcotics agencies. This objective was accomplished through:

--Increased liaison between the USG and Bulgarian counternarcotics agencies;

--USIS International Visitor Programs to send Bulgarian officials to the U.S.;

--Increased liaison between the U.S. Drug Enforcement Administration (DEA) officials stationed in Austria and Bulgarian counternarcotics agencies;

--Participation in a DEA-sponsored regional seminar in Prague during August by two Bulgarian officers from the Central Organization;

--A visit to Bulgaria in July by a team from the U.S. Department of Justice to investigate the possibilities of legal assistance and cooperation between the U.S. and Bulgaria.

The Road Ahead. During 1992, the USG will continue to build on accomplishments of the previous year. Of special importance will be encouraging the Bulgarian Government to increase cooperation with other European nations. The USG will urge rapid ratification of the 1988 UN Convention and passage of necessary implementing legislation.

Statistical Tables

TABLES for CY		1991	1990	1989	1988
Seizures					
Opium	[mt]	0.003	0.000	0.000	0.003
Heroin	[mt]	0.144	0.058	0.234	0.155
Other Opiate	[mt]	0.000	0.000	0.247	0.001
Marijuana	[mt]	0.010	0.000	0.000	0.000
Other Cannabis	[mt]	0.018	0.013	0.000	0.000
Arrests					
Nationals		0	0	0	0
Foreigners		20	15	26	16
Total Arrests		20	15	26	16

CYPRUS

I. Summary

Cyprus neither produces nor consumes significant amounts of narcotics, but its location in the eastern Mediterranean, and its well developed facilities for business, tourism and international communications make the country an attractive meeting point for traffickers. Heroin transits Cyprus in container traffic, and air connections are used to carry illicit narcotics, currency and bullion to and from Europe. In April, Cyprus adopted tougher laws in accordance with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Cyprus police and customs authorities strictly enforce these laws, and they maintain excellent relations with the USG and other foreign government law enforcement authorities. Cyprus' system of controls on the movement of bullion and currency discourage the development of the country as a financial haven for traffickers. Monitoring of monetary activities by the central bank prevents widespread money laundering activities.

II. Status of Country

Cyprus is neither a producer nor a significant consumer of narcotics. Its location in the eastern Mediterranean and its status as the gateway to and from Lebanon make it convenient for traffickers, especially those from Lebanon and Turkey. Highly developed business and tourism facilities and a modern telecommunications system further attract traffickers to Cyprus, where they can negotiate deals with third-country buyers, conceal heroin and cannabis resin in the substantial container traffic transshipped through Cyprus, and take advantage of air connections to move currency and bullion to and from Europe.

III. Country Action Against Drugs in 1991

Policy Initiatives. In April, Cyprus adopted stricter laws in accordance with the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Authorities strictly enforce drug laws and maintain excellent relations with the USG and other foreign government law enforcement authorities.

Accomplishments. President Vassiliou chaired a meeting of the National Committee for Prevention of Trafficking in April, which advocated the establishment of a public campaign against drug trafficking as well as more extensive counseling services for drug abuse.

The Government of Cyprus (GOC) ratified the UN Convention in May. In April, the house of representatives passed legislation, strengthening penalties for trafficking and providing for confiscation of profits and assets obtained from trafficking.

The Interior Ministers of Cyprus and Italy signed a bilateral protocol in May to cooperate against drug trafficking and terrorism. A similar pact was signed with Syria in May.

In June, a Larnaca court was the first to apply stiffer sentences authorized by amendments to the Cypriot anti-drug law. The judge sent the crew of a Lebanese vessel smuggling heroin and hashish to jail for terms ranging from three to six years and gave a seven-year sentence to a Kuwaiti middleman resident in Cyprus.

Cyprus signed the Council of Europe Anti-Doping Convention instituting controls over use in sports of banned substances in June.

In August, Cyprus hosted a Commonwealth conference on drug trafficking. Addressing representatives from several Commonwealth countries, the Minister of Justice reaffirmed Cyprus' commitment to fight drug trafficking.

In October, Cypriot authorities quickly assented to the USG's request to conduct and complete a search of a Cypriot registry vessel boarded by the U.S. Coast Guard in international waters southwest of Jamaica.

Law Enforcement Effort. Narcotics laws are enforced strictly and in most cases the judicial process operates effectively. Although drug-related sentences were relatively light in the past, consisting mainly of fines, the majority of sentences now consist of prison terms ranging to eight years.

Narcotics control involves the Cyprus Police Force and the Cyprus Customs and Excise Department. Cooperation between these agencies ranges from very good to excellent, and they also cooperate with the twelve full-time foreign narcotics enforcement attaches now stationed in Cyprus.

International enforcement cooperation is limited by the de facto division of the island into a government-controlled area and a northern Turkish-speaking area. Cypriot enforcement authorities have no direct working relations with Turkish Cypriot enforcement authorities or with Turkey.

Corruption. Corruption is not considered to be a major problem in Cyprus.

Agreements and Treaties. The GOC is a party to:

the 1961 United Nations Single Convention on Narcotic Drugs and its 1972 Protocol;

the 1971 Convention on Psychotropic Substances;

the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; and

the 1987 United States-Cyprus Agreement Regarding Mutual Assistance Between Customs Services.

Cultivation and Production. The only known production is the occasional cultivation of cannabis for individual use.

Domestic Programs. In October, the Director General of the government's Youth Agency estimated that there are roughly 700-1,500 drug abusers in Cyprus. The estimate was based on the number of inquiries received each month (around 150) at his agency's Narcotics Crisis Center. His estimate, which is less than 0.3 percent of the population, created a public furor, as many Cypriots regarded these numbers as shockingly high. President Vassiliou, Chairman of the National Anti-Drug Abuse Committee, held a press conference to address the issue. This did result in increased public awareness of Cyprus' small, but potentially growing, population of drug users. The Cyprus Rotary Clubs have initiated an anti-drug awareness campaign aimed especially at Cypriot youths. The GOC, the Cyprus Police and local businesses support this program.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. To facilitate counternarcotics investigations, the USG is encouraging GOC to enhance or implement laws relating to undercover operations, electronic surveillance, controlled deliveries and asset seizures, and is providing technical assistance to Cypriot officials.

Bilateral Cooperation. GOC authorities have extradited one fugitive to the U.S. under the existing U.S.-UK treaty governing extradition which predates Cyprus' independence in 1960. In June, Cyprus courts confirmed the extradition to the United States of a Lebanese fugitive wanted for violating federal drug laws in Virginia. The case is now being appealed in the Supreme Court of Cyprus.

The 1987 U.S.-Cyprus Customs Mutual Assistance Agreement has resulted in excellent cooperation with Cyprus Customs authorities. The USG initiated bilateral discussions in 1991 to further strengthen this agreement which will allow the sharing of assets resulting from customs seizures. The USG expects the amended document will be concluded in mid-1992.

The Road Ahead. The U.S. Embassy anticipates continued cooperation from both the Cypriot Police and Cypriot Customs. The Embassy will continue to encourage the Cypriot Government to enact legislation that would enhance the authority of police and customs officials to investigate narcotics violations.

Statistical Tables

TABLES for CY	*1992 est.*	1991	1990*	1989	1988
Seizures [mt]					
Heroin	*0.006*	0.00	0.006	0.006	0.002
Cocaine	*trace*	trace	trace	0.000	0.000
Marijuana	*0.005*	0.01	0.003	0.000	0.000
Cannabis Resin	*0.300*	0.295	0.304	0.365	0.001
Arrests					
Nationals	*55*	47	41	72	63
Foreigners	*70*	51	37	62	24
Total Arrests	*125*	98	78	134	87

* Data has been revised by Cypriot authorities to replace data reported previously, which was for only ten months.

1/27/92

EGYPT

I. Summary

Egypt is not a major narcotics producing or trafficking country, but geography makes it a natural transit point for heroin and opium moving from Southwest and Southeast Asia to Europe and the U.S. Egypt also offers a considerable domestic market for hashish and heroin from Lebanon and Syria. The busy air and seaports of Egypt facilitate clandestine movement of all types of narcotics into or through Egyptian territory. The Government of Egypt (GOE) maintains an active interdiction effort at Cairo International Airport, but has no program or means to interdict narcotics shipments passing through the Suez Canal and is now confronted with the difficult challenge of drug interdiction presented by the recent opening of the land border with Libya.

II. Status of Country

Hashish is the principal illegal drug of choice in Egypt, and is readily available. Although Egyptian drug authorities differ, estimates on use range up to two million people. The bulk of Egypt's hashish appears to originate in Lebanon and Syria. Trafficking routes include coastal shipments through Jordan and Sudan and, perhaps, Saudi Arabia as well.

Opium and heroin trafficking and consumption appear to be increasing. Opium poppies have been cultivated for centuries on the arable land along the Nile River and the Nile Delta. Almost all domestic opium production is believed to be consumed within Egypt, although some exports to Libya and other African neighbors is likely. GOE drug enforcement personnel conduct a yearly eradication program during the winter opium harvest. Eradication operations in upper Egypt are hampered by poor roads and support facilities. The fertile Nile Delta poses a much greater potential for significant opium cultivation, but its dense population and good communication links work against large-scale, clandestine cultivation of illicit crops.

Evidence of cocaine use first appeared in 1983, but it appears to be at a very low level. Of much greater concern to Egyptian authorities is an apparent increase in the use of heroin among young students, professionals, and the children of the wealthy and highly skilled.

III. Country Actions Against Drugs in 1991

Policy Initiatives and Accomplishments. In 1991, Egyptian authorities made over 12,000 narcotics arrests and seized nearly 11,000 kg of hashish, 47 kg of opium, and 78 kg of heroin.

Heroin seizures have increased at Cairo International Airport, with much of the drug coming from West African couriers in transit between Bangkok and Lagos. Egypt's active airport interdiction program is supported by the U.S. Drug Enforcement Administration (DEA) and uses an x-ray machine provided by the State Department Bureau of International Narcotics Matters

Egypt signed and ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1991. However, the People's Assembly still must approve legislation to implement some of the Convention's provisions, such as asset seizure, money laundering, extradition, and international mutual legal assistance.

The Narcotics General Administration (ANGA), whose responsibilities roughly parallel those of the DEA, is the lead agency for drug enforcement in Egypt. ANGA, established in 1929, is the oldest agency of its kind in the world. ANGA's 100-man force works in coordination with many other agencies, including the Frontier Police, customs, and police narcotics units in each province. ANGA and other GOE agencies responsible for narcotics enforcement work closely with DEA representatives in Egypt.

In June, the United Nations International Drug Control Program (UNDCP) sponsored a USG drug enforcement expert's visit to evaluate ANGA and help identify its technical and operational requirements. The UN also sponsored a two-week, train-the-trainer enforcement seminar in December, attended by representatives of twelve nations.

Egypt continued to serve as the site of regional training seminars for narcotics control officers from Saudi Arabia and Jordan. In November, DEA conducted a regional training school which focused on airport interdiction, asset seizure, and money laundering. The school was attended by law enforcement personnel from thirteen nations.

Law Enforcement Efforts. A major drug-related scandal occurred in the People's Assembly when the opposition party accused ten parliamentarians from the ruling National Democratic Party (NDP) of drug trafficking. The NDP leadership's investigation of the allegations resulted in the November expulsion of two assembly members and the resignation of another. The three were stripped of their parliamentary immunity and are subject to possible prosecution. There is no evidence

of significant narcotics-related corruption among Egyptian drug officials. ANGA carefully selects and monitors its agents. Nevertheless, low salaries make law enforcement officials vulnerable to bribes from narcotics traffickers.

Egyptian legal structures are generally adequate to deal with narcotics issues. Anti-drug legislation enacted in 1989 expanded the activities punishable as drug offenses and applied stiffer penalties for a number of offenses, including capital punishment for both producers and traffickers of hard drugs. To date, only one person--a Pakistani--has been executed in Egypt for drug trafficking. Current reports indicate that there are over twenty inmates on death row convicted of drug offenses. To what extent the sentences will be carried out is difficult to predict.

Corruption. The special Administrative Control Authority investigates allegations of corruption within the bureaucracy. Its Director reports directly to the President. Although not specifically designed to deal with narcotics activities, Egyptian laws provide for the seizure of "unexplained" assets. Drug enforcement officials can refer suspects to a special prosecutor who determines whether the evidence warrants the seizure of assets. Under this law, seized property can be held for up to five years, with the property returned after that time if the accused has not further engaged in suspected illegal activities. While under sequestration, the property may be used to pay any fines or taxes owed as a result of illegal activities. Vehicles seized in the course of drug operations (including boats) are usually turned directly over to ANGA, which may use them while the case is pending.

The Egyptian government does not, as a matter of policy, encourage or facilitate the production or distribution of illicit narcotics. No senior official is known to engage in illicit narcotics activity, although the potential for corruption remains high.

Egypt is not considered a money laundering center by the USG or other foreign government officials nor does DEA consider Egypt a haven for assets. It is neither a tax shelter nor an offshore banking center.

Domestic Programs. The estimates of drug authorities are drawn from anecdotal evidence and projections based on seizures and the number of patients seeking treatment in rehabilitation centers. The GOE's national drug awareness campaign continues. There are almost daily reports in the national media on drug issues, in sharp contrast to a virtual silence on drug matters as recently as five years ago. The Interior Minister's assertion in October that illicit narcotics form Egypt's greatest threat was widely reported and commented upon by the media. Egyptian television provided national coverage for ceremonies and activities in support of International Drug Awareness Day.

PRIDE International of Egypt, the only private anti-drug organization devoted to prevention, entered its second full year of operation in 1991 with a broad campaign of public awareness directed at parents, students, and teachers. Working with the Ministry of Education, PRIDE board members conduct drug prevention education/awareness programs at youth clubs in low-income areas, at private schools, and at universities. In June, PRIDE held its second annual conference on drug prevention. The conference was opened by the wife of the President and attended by the Prime Minister, ten other cabinet members, and over 600 participants. Plans for the future include seeking funds from international donors for a Cairo drug survey, designing a "drug free workplace" program for factories, and establishing more PRIDE youth groups in schools and universities.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. The USG and Egypt signed a bilateral project agreement in September to combat illicit drug trafficking and enhance enforcement. INM will provide Egypt with law enforcement equipment and the GOE will use the equipment to improve existing capabilities. Previous assistance included training and an airport X-ray machine.

In June, three high-ranking ANGA officials participated in a month-long, USIS-sponsored International Visitors Program focusing on narcotics control procedures. The efficiency of ANGA narcotics enforcement operations has improved as training and new methods are integrated into procedures. USIS also sponsored the travel of three Egyptians to the U.S. to study drug education, treatment, and prevention.

The Road Ahead. Further implementation of the September bilateral agreement, the possibility of an agreement on asset forfeiture sharing and the initiation of a drug use survey are areas for future bilateral cooperation.

Statistical Tables

TABLES for CY		1992 est.	1991	1990 a	1989	1988
OPIUM						
Harvestable Cultivation	[ha]		-	-	-	-
Eradication /b	[ha]		-	-	105	115
Cultivation	[ha]		-	-	-	-
Potential Yield	[mt]		-	-	2.3	2.3
CANNABIS						
Harvestable Cultivation	[ha]		-	-	-	-
Eradication /b	[ha]		-	-	1.0	1.0
Cultivation	[ha]		-	-	-	-
Potential Yield	[mt]		-	-	1.0	1.0
Seizures						
Opium	[mt]		0.05	0.05	0.5	4.4
Heroin	[mt]		0.08	0.07	0.1	0.3
Cocaine	[mt]		0.001	0.002	0.0	0.1
Hashish	[mt]		10.62	8.5	29.0	14.0
Arrests			12,210	9,114	8,500	11,149
Domestic Consumption						
Opium	[mt]		-	-	12	12
Other Cannabis	[mt]		-	-	350	350
Users (thousands)						
Opium				-	500	500
Hashish			-	-	2,000	2,000

(a) January-September 1990

(b) The Government of Egypt reported 2,859,893 opium plants and 378,050 cannabis plants eradicated during the 1991 reporting period. 2/4/92

GREECE

I. Summary:

Drug traffickers exploit Greece's location between major drug producing nations in the Middle East and South Asia and consumers in Europe and the U.S. Narcotics abuse is also a growing problem in Greece. Cannabis, cultivated for local use, is the only illicit drug produced in any quantity. Nevertheless, small amounts of illegally-grown opium have also been discovered.

The Government of Greece (GOG) bolstered its anti-drug campaign over the last year, focusing on increasing drug arrests and seizures. Intelligence from these efforts has resulted in the dismantling of several trafficking rings. Such successes are due in part to the increased cooperation between U.S. and Greek drug enforcement agencies, including the provision of equipment and law enforcement training by the State Department Bureau of International Narcotics Matters (INM). Other GOG progress has included ratifying the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and taking a more active role in multilateral counternarcotics fora.

II. Status of Country

Greece's location, as well as inadequate resources to police its long coastlines, make it an ideal gateway for traffickers smuggling heroin and cannabis products from the Middle East and Southwest Asia to the West and precursor chemicals to the East. Greek officials, however, do not have reliable estimates of the extent of transit through Greece. Traffickers transship heroin from the Golden Crescent and hashish from Lebanon through Greece. Trucks (bonded and sealed) offer traffickers prime smuggling opportunities either overland through Turkey or via the Syria-Piraeus ferry line. Once in Greece, these trucks cross by ferry to Italy or by land through Yugoslavia, and more recently, from Bulgaria through Romania. Shipments of illicit drugs are secreted in the legitimate sealed cargoes or within compartments in the trucks.

Greek shipping and commercial facilities are often used to smuggle illicit narcotics to the West. Greek-owned commercial vessels play a role in the transshipment of hashish from Lebanon to Western Europe and the U.S., and Greek nationals provide an experienced body of nautical personnel adept at such smuggling. Greece is also used as a transshipment point for precursor chemicals that are exported from the West European nations to the Middle East and Southwest Asia.

There are indications throughout Greece that domestic drug abuse is rising. Although cannabis, produced for local consumption, is widespread, distributors of heroin and hashish also have access to a growing pool of underemployed urban youth. Moreover, amphetamine use is increasingly prevalent. A steady increase in overdose deaths and the visibility of heroin paraphernalia around schools and parks have heightened concern about consumption. By contrast, cocaine is still largely an upper-middle class drug.

III. Country Action Against Drugs in 1991

Policy Initiatives. Prime Minister Constantine Mitsotakis has raised the profile of the drug problem. A meeting of key cabinet members and police officials was convened in early 1992 to stress his commitment. As a result, the ministers expanded the narcotics divisions of the local police and established intelligence centers with direct communications with Athens throughout the country.

Although no formal timetable exists for the eradication of locally produced marijuana, Greek authorities did destroy a small quantity (some 26,700 plants).

Accomplishments. The escalation of drug abuse and trafficking has prompted the GOG to take an active role in multilateral fora and to focus increased domestic attention on the issue. Within both the European Community's anti-drug group (CELAD) and the Dublin Group, Greece is now the chair of the Balkan Route Group and will head an effort to assess and report on the problems in the region. The GOG ratified the 1988 UN Convention Against Trafficking in Narcotic Drugs and Psychotropic Substances in January 1992.

Law Enforcement Efforts. Drug legislation enacted in 1987 strengthened the legal framework for drug enforcement, including stiff sentences which are often imposed. Several heroin dealers were sentenced to life imprisonment in 1991. Government programs in drug rehabilitation and treatment, however, are still in the development stages, complicating efforts to implement mandatory treatment for convicted addicts. Greek legislation permits access to bank accounts by prosecuting magistrates only when probable cause exists; moreover, bank authorities have been reluctant to authorize access to bank records.

To facilitate interagency counter-drug cooperation, the 1987 narcotics law mandated the creation of a Central Narcotics Council consisting of one representative each from the Ministries of Public Order (Police), Finance (Customs), and Merchant Marine (Coast Guard) to act as a coordinating body.

Corruption. Greek law imposes severe penalties on police malfeasance. The USG has no evidence that traffickers have been able to influence Greek narcotics enforcement authorities.

Agreements and Treaties. In addition to ratifying the 1988 UN Convention, the GOG over the past year has signed Letters of Agreement with the U.S. in which the USG agreed to provide equipment for Greek Police, Customs and Coast Guard, as well as aid for the demand reduction component of the Health Ministry.

Domestic Programs. Minister without Portfolio Mikis Theodorakis was encouraged by the Prime Minister to begin a public awareness campaign against drug abuse. As a result, the Ministry of Justice opened a drug information center and a drug abuse hot line.

The Central Council for Combatting Drug Abuse, KESYKANA, coordinates narcotics abuse and prevention programs. Located in the Ministry of Health, this Council also includes Justice, Education, Finance, and Culture officials. There are a number of civic organizations throughout Greece that also address the drug abuse/treatment issue. One such group, KETHEA, hosted a world conference last year. The governing New Democracy Party's youth group also hosted an international anti-drug seminar in Athens.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. USG policies have focused on strengthening cooperation on interdiction and on assisting Greece to gain a better understanding of its domestic consumption problems. In this regard, the USG has successfully encouraged the GOG to devote more resources to the issue and to work more closely with U.S. enforcement and demand reduction officials.

Bilateral Cooperation. Greek anti-drug efforts continue to be strengthened by increased dialogue on counternarcotics issues between the two countries. In law enforcement, the U.S. Drug Enforcement Administration (DEA) and GOG narcotics officials have cooperated on several key investigations that resulted in record heroin seizures and arrests. For example, an international drug ring, responsible for smuggling multi-kilogram shipments of heroin to the U.S. on a monthly basis, was dismantled when five members were arrested in New York City and four in Greece. Moreover, in response to the GOG's request for law enforcement assistance, INM provided training, equipment, to the Police, Customs, and maritime forces.

On the demand side, the GOG sought USG assistance on drug rehabilitation and prevention. In response, INM provided several seminars and training classes on demand reduction and rehabilitation and USIS sponsored visits to the U.S. by several journalists and government officials to discuss drug issues. Additionally, INM funded the purchase of a computer to assist KESYKANA in its assessment of domestic drug use.

The Road Ahead. The USG is seeking to increase cooperation with Greece's anti-drug agencies. The DEA office in Athens received authorization for a third special agent to be assigned to Greece. The USG continues to believe it is essential that the GOG pass legislation to implement the 1988 UN Convention.

Statistical Tables

TABLES for CY		1991	1990	1989	1988
Seizures					
Heroin	[mt]	0.24 *	0.081	0.03	0.07
Cocaine	[mt]	0.01	0.034	0.01	0.01
Hashish	[mt]	2.20	5.100	0.70	8.40
Marijuana /a	[mt]	0.20	3.900	2.00	-
Arrests					
Nationals		3,000 **	2,800	2,800	2,300
Foreigners		250	310	-	400
Total Arrests		3,250	3,110	-	2,700
Domestic Consumption					
Heroin	[mt]	0.40	0.56	0.30	0.25
Cocaine	[mt]	0.15	3.40	0.10	0.10
Marijuana	[mt]	0.85	0.25	0.25	2.00
Users (thousands)					
Heroin		47	45	30	30
Cocaine		16	15	12	10
Marijuana		70	140	300	300
Overdose Deaths		-	-	70	60

(a) In addition, Greek authorities report about 503,000 cannabis plants were seized/destroyed in 1990.

*Through December 31, 1991.

**Through December 1, 1991.

LEBANON

I. Summary

Lebanon is a major illicit narcotics producing and trafficking country. In addition to traditional hashish production, Lebanon has become a significant producer of opium and heroin, as well as a transshipment point for cocaine from South America. Lebanese groups and families produce hashish and opium in the Syrian-occupied Bekaa Valley. Drug abuse and trafficking within Lebanon also appears to be increasing. The efforts of the Lebanese Government to expand its authority and its stated desire to combat the narcotics problem offer the U.S. an opportunity to expand contacts with Lebanese drug authorities and to press the Government of Syria (SARG) on counternarcotics issues.

II. Status of Country

Despite improved security conditions, accurate data on narcotics production is impossible to obtain from the Government of Lebanon (GOL). USG officials estimate, however, that 34 mt of opium were produced on 3,400 ha of cultivation in 1991. In addition, estimated hashish production was 545 mt on 15,200 ha of cultivation.

The Bekaa Valley of eastern Lebanon has become one of the world's leading centers for narcotics activity, including the production of hashish, opium and heroin and, according to credible reports, the conversion of cocaine base to hydrochloride (HCl). The dramatic expansion of drug production and trafficking activities can be traced primarily to the breakdown of law and order throughout Lebanon during the civil conflict of the last fifteen years. Syrian troops have occupied the Bekaa since 1976, and remain the only formal security authority in the area. Despite recent Syrian media reports of drug eradication and confiscations in the Bekaa, USG information indicates that Syrian military forces have done little, if anything, to control the narcotics situation there.

There are credible reports that a sizable number of Syrian military officials in the Bekaa Valley are involved to some degree in the drug trade. While Syrian officials do not appear to be participating directly in the cultivation and production of narcotics, reports indicate that many of them tolerate and facilitate the movement of narcotics within and out of the Valley.

The proceeds of the lucrative drug trade in Lebanon have helped to finance the activities of a number of Lebanese militias over the

years. This has exacerbated instability and contributed to civil hostilities. In addition, the drug trade provides one of the largest sources of income in Lebanon's war-torn economy.

III. Country Actions Against Drugs in 1991

Policy Initiatives. With political conditions slowly improving, the Hrawi Government has stated that narcotics control is a high priority. However, the government can accomplish little without help from outside powers, particularly Syria. The GOL has expressed an interest in joint counternarcotics activities with the SARG.

Accomplishments. There are unconfirmed reports that, in early March, Syrian military forces in the Bekaa confiscated 80 mt of hashish as well as 14 kg of opium and 12 kg of cocaine; Lebanese police are believed to have participated in the late stages of this operation. The drugs were reported destroyed in a public burning. No independent sources or experts, however, authenticated the substances burned; other unconfirmed reports cast doubts on its validity. Eradication exercises were conducted in September.

Law Enforcement Efforts. A joint DEA/GOL investigation resulted in the seizure of 600 kg of hashish and 20 kg of heroin in Beirut at the end of 1991. There were no other reports of seizures during the year.

Nominally, Lebanese laws appear adequate to provide for effective narcotics control but the long armed conflict has severely hampered or eliminated routine and frequent law enforcement activities.

Corruption. The GOL, as a matter of policy, neither encourages nor assists in the production or distribution of illicit narcotic and psychotropic drugs. There are, however, reports of high-level official involvement in the drug trade. Some parliamentarians are reported to be connected with known traffickers and a high-ranking military officer was suspended for drug smuggling. There were no additional reports of efforts to combat bribery and corruption.

Agreements and Treaties. Lebanon is a party to the UN Single Convention on Narcotic Drugs of 1961, but not to the 1972 Protocol amending the Single Convention nor to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The Lebanese and Syrian Governments included drugs as a matter of "national and internal security" which their military and security services would discuss in joint committees under the terms of the Defense and Security Agreement signed September 1, subsequently ratified by their respective parliaments.

Cultivation and Production. In 1991, Lebanon had the potential to produce about 34 mt of opium from the 3,400 ha of opium poppy under cultivation. This represents a six-percent increase over 1990

potential production, when about 32 mt of opium gum could be produced from 3,200 ha of poppy.

In 1991, there was potential hashish production of 545 mt on about 15,200 ha of cultivation. This represents a dramatic increase of more than 500 percent over 1990 estimates of 100 mt on 11,100 ha. Estimated hashish yields have returned to the 36 kg per hectare level achieved prior to the 1989/90 season. This increase is due to the return of favorable weather after the 1989/90 drought.

The U.S. Government is unable to make a reliable estimate of the maximum achievable reduction in the year ahead because of uncertainties surrounding the ability of the GOL to effectively control the major production areas in the Bekaa Valley. In addition, weather may have an impact on the production level in the next year, as it has in the past two.

Domestic Programs. There are no reports of domestic anti-drug abuse programs in Lebanon.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The principal goal of the USG is to convince the GOL, in cooperation with the SARG, to make a serious effort to eradicate the cultivation of hashish and opium in the Bekaa Valley. We hope to interdict the passage of drugs through Lebanon and to cooperate with the GOL on joint investigations leading to arrests and seizures in Lebanon, Europe, and the U.S. Meetings with the Lebanese Economic and Interior Ministers during the latter part of the year have underscored USG objectives.

Bilateral Cooperation. During 1991, improved security and encouraging political developments permitted the reopening of the U.S. Embassy in Beirut. DEA is now working with the GOL on anti-narcotics investigations. If sustained and effective eradication and enforcement efforts become possible, the USG would be willing to consider in-depth discussions about an ongoing, formal program.

The Road Ahead. The presence of the Syrian military in the Bekaa for the foreseeable future, the lack of GOL control in the area, and inadequate security make GOL counternarcotics programs difficult. However, indications from the Lebanese on crop eradication and drug control efforts may offer an opportunity for more meaningful counternarcotics actions.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989	1988
OPIUM						
Harvestable Cultivation	[ha]		3,400	3,200	4,500	2,000
Eradication	[ha]		0	0	0	0
Cultivation	[ha]		3,400	3,200	4,500	2,000
Potential Yield	[mt]		34	32	45	30
CANNABIS						
Harvestable Cultivation	[ha]		15,200	11,100	24,500	16,000
Eradication	[ha]		0	0	0	1
Cultivation	[ha]		11,000	11,100	24,500	16,000
HASHISH						
Converted from cannabis	[mt]		545	100	905	700
HEROIN	[mt]		3.4	6.5	5.0	2.6
Refining						
Heroin	[mt]		3.4	6.5	5.0	2.6
Hashish	[mt]		545	100	905	700
Seizures						
Opium	[mt]		0.01	-	-	0.002
Heroin	[mt]		0.02	-	-	0.020
Cocaine	[mt]		0.01	-	-	0.011
Marijuana	[mt]		-	-	-	-
Other Cannabis	[mt]		-	-	-	0.095
Arrests			-	-	-	231

2/4/92

SYRIA

I. Summary

Despite its stated policy of discouraging narcotics production and trafficking, the Syrian Arab Republic Government (SARG) has done little to demonstrate that it will undertake serious, meaningful counternarcotics efforts. Syria is a transit country for illicit drugs and a suspected site for the refining of small amounts of heroin, Lebanese-produced hashish, and heroin destined for Europe and the U.S. Asian morphine base and opium en route to processing labs in the Bekaa Valley in Lebanon transit Syria. Small amounts of cocaine, refined in Lebanon and Turkey, also transit Syria, as do heroin and hashish destined for markets in the Persian Gulf area. Syria is not a producer of narcotics nor is it a site for international money laundering. Syrian military and government officials stationed in Lebanon are reliably reported to facilitate drug production and trafficking there. Syria has not yet shown a willingness or ability to take effective anti-drug actions on its own against such corruption. The USG continued its discussions with the SARG on narcotics cooperation in 1991 in hopes of improving Syrian efforts in this field.

II. Status of Country

Syria's continued control over Lebanon's Bekaa Valley has given rise to the involvement of Syrian military personnel in the Lebanese drug trade. Numerous credible reports continue to indicate that Syrian officers and soldiers protect and facilitate the production and transportation of drugs out of the Bekaa.

III. Country Action Against Drugs in 1991

Policy Initiatives. Syria engaged in some public (and publicized) eradication operations directed against hashish and opium crops in the Bekaa Valley. These appear to have been accomplished more for show than effect. The Syrian and Lebanese Governments included drugs as a matter of "national and internal security" which their military and security services would discuss in joint committees called for under the terms of a Defense and Security Agreement signed September 1. Subsequently, these intentions were ratified by the respective parliaments.

Accomplishments. The SARG has provided no information on the extent to which it has met UN Convention goals and objectives on cultivation,

production, distribution, sale, transport, asset seizure, extradition, mutual legal assistance, law enforcement, transit cooperation, and demand reduction. However, the SARG has established modest police liaison relationships with several of its neighbors and with European governments concerned with the Lebanese drug trade. Through these liaison channels, Syria has cooperated in limited controlled delivery operations and occasionally furnished information requested by foreign governments to assist in their police investigations.

Syrian National Police intensified their interdiction of the narcotics flow through Syria in 1991. Similarly, the SARG sought to curb the domestic consumption of illicit drugs. Law enforcement measures became more vigorous and the government-owned media featured public awareness campaigns on the dangers of drug abuse. The government publicly highlighted a number of narcotics-related arrests and convictions, but most appeared to be addicts rather than major traffickers. Syrian authorities have indicated there are adequate legal measures (and social pressures) to control domestic drug consumption.

Law Enforcement Efforts. Syrian military forces in Lebanon conducted a series of "show" raids in Lebanon's Bekaa Valley in early March and May and reportedly seized nearly 90 mt of hashish, 14 kg of opium, 12 kg of cocaine, and a small quantity of chemicals used to process cocaine. Between September 5 and 29, Syrian and Lebanese forces reported joint operations against hashish fields in the Bekaa Valley. According to information provided by the SARG, this resulted in the destruction of 578 ha of cannabis under cultivation. Other reports cast doubt on the accuracy of the Syrian assertions. Syrian and Lebanese media reported in late October 1991 that Syrian forces had confiscated and destroyed a total of 115 mt of hashish inside Lebanon since the beginning of the year. However, other reports call these figures into question.

The SARG reports that the Syrian National Police is proceeding with plans to make its anti-narcotics branch, currently under the command of the Criminal Investigation Division, a separate entity reporting directly to the Minister of Interior. Syrian officials, in meetings with visiting foreign dignitaries and through official media, have often stated Syria's readiness to expand its cooperation with other governments and international organizations in the fight against drugs. This professed commitment, however, has yet to be matched by concrete anti-drug efforts.

Corruption. Syrian officials acknowledge the possible involvement of individual members of the Syrian armed forces in Lebanon in the Lebanese drug trade and claim that accusations of illegal activity are investigated by a competent military judicial authority. If accusations are found to be warranted, the accused is purportedly returned to Syria for further investigation and, if necessary, punishment. These claims have little credibility, and the SARG has not publicly reported any such cases being brought to trial or the number of military and security officials punished for involvement in the drug trade.

The SARG does not, as a matter of official policy, encourage or facilitate the illicit production or distribution of drugs or the laundering of drug money. Credible reports, however, indicate that several senior Syrian officials have links to individuals or groups involved in the Lebanese drug trade.

Agreements and Treaties. Syria has not ratified the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, but it is a party to the 1961 United Nations Single Convention on Narcotic Drugs and its 1972 Protocol, as well as the 1971 Convention on Psychotropic Substances. Syria has concluded agreements on the control of drug trafficking with Germany, the Netherlands, and Jordan, and it has agreements on combatting drugs with Saudi Arabia, Jordan, Turkey, and Cyprus. Syria is a member of Interpol, and Syrian representatives regularly attend monthly liaison meetings in Cyprus of police officers concerned with narcotics. Those represented include the U.S., Europe, other Mediterranean countries, and certain Scandinavian countries.

Cultivation and Production. No significant quantities of illicit drug crops are produced in Syria.

Domestic Programs. SARG efforts to prevent drug abuse are essentially twofold: instilling public awareness of the dangers of drugs through government-controlled media and educational institutions; and family pressure as a means of rehabilitating addicts or stopping casual use. Syria's close-knit society, which places a heavy emphasis on the family unit, in combination with extremely stringent laws against the consumption, possession, and dealing of illicit drugs, seem to have resulted in a small domestic drug abuse problem centered on abuse of marijuana.

Growing government concern about the abuse of harder narcotic substances and the influence of the comparatively strong drug culture in neighboring Lebanon (felt mainly through military personnel returning from duty there) have prompted the government to deliver strong warnings about the social consequences of drug abuse. There are no public drug treatment facilities in Syria.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The primary U.S. goal is to convince Syria to cooperate fully and substantially with Lebanon in a crop eradication program directed against the cannabis and opium fields of the Bekaa Valley, as well as the processing and refining plants associated with them, and to disrupt trafficking from that area. Linked with this goal is the objective of seeing the SARG take meaningful and decisive action to investigate and punish those members of the Syrian Government and

military involved in the Lebanese drug trade. Thus far, the SARG has not taken meaningful actions in these areas. The USG also wishes to expand its liaison with Syrian law enforcement authorities to aid in bilateral and multilateral efforts to interdict the flow of drugs through Syrian territory, whether from Lebanon or elsewhere.

Bilateral Cooperation. The U.S. has no bilateral narcotics agreement with Syria, and the USG will not enter into one until there is tangible evidence of Syria's intention to control the Lebanese drug trade and to deal with internal corruption linked to that trade. Nonetheless, the U.S. Drug Enforcement Administration (DEA), through its Nicosia Regional Office, has established a liaison relationship with the Syrian National Police which is used to exchange information with law enforcement authorities about active investigations and operations to stem the flow of drugs out of Lebanon.

The USG, through a variety of diplomatic representations, has repeatedly demonstrated its strong concerns about narcotics trafficking in Syria. The U.S. Embassy in Damascus, the DEA regional office in Nicosia, a delegation led by the Chairman of the House Select Committee on Narcotics Abuse and Control, and a USIA-sponsored visit to the U.S. by Syrian law enforcement and drug treatment officials have all underscored USG concern. In addition, the USG has urged the SARG to cooperate more effectively with the Lebanese Government on a comprehensive eradication and control program in Lebanon.

The Road Ahead. The USG will press ahead to convince Syria to take meaningful actions against narcotics production and trafficking.

Statistical Tables

TABLES* for CY		1992 est.	1991**	199	a	1989	b	1988
Seizures								
Heroin	[kg]		37.09	20.00		20.00		10.00
Cocaine	[kg]		-	10.00		10.00		0.00
Marijuana	[kg]		-	23.00		1,680.00		0.88
Hashish****	[mt]		115					
Arrests			3,684	1,175		1,474		1,683
Consumption* **								

* All information contained in these tables has been provided by the Syrian Government.

** January -October 31, 1991

*** The Syrian Government does not keep records of estimated quantities of drugs consumed.

****Reported seized in Lebanon by Syrian patrols.

(a) January-November 1990. Statistics on narcotics seizures and arrests in Syria are from Government of Syria sources.

(b) Figures for 1989 are revisions of previous totals.

2/19/20

TURKEY

I. Summary

Forming a land bridge across which heroin and hashish from Southwest Asia pass en route to consumers in Western Europe and America, Turkey faces a rising tide of narcotics trafficking. It is an increasingly difficult struggle. Over one-half of all drug seizures and arrests in Europe involve Turkish traffickers and narcotics coming from Turkey. There are reports that heroin laboratories have begun to appear in isolated areas of the country. The USG has assisted Turkey in obtaining equipment and training to better deal with the heroin traffic. During 1991, numerous, successful cooperative investigations coordinated by the U.S. Drug Enforcement Administration (DEA) offices in Ankara and Istanbul successfully hindered the flow of heroin across Turkey and of essential chemicals into the country.

The Government of Turkey (GOT) is keenly aware of its position in the narcotics production chain and is working to diminish both the heroin passing through and that which is processed in the country. Record numbers of narcotics and laboratory seizures were made in 1991 by Turkish authorities.

The Turkish Government's success in controlling licit opium poppy cultivation continues, with virtually no reported leakage into illicit channels because of the strict controls imposed by the government.

II. Status of Country

Turkey's primary narcotics challenge is the traffic of heroin and hashish transiting Turkey from Asia to Europe. An estimated 250,000 trucks cross Turkey each year, providing a ready means of transport for traffickers. Air and sea routes are used occasionally for smuggling heroin and hashish to Europe and the U.S. Seizures during the last three to four years confirm that drug traffickers are now processing some heroin in Turkey. Laboratories to convert imported morphine base into heroin have surfaced in remote regions of southeastern Turkey, as well as in the Marmara region near Istanbul. Most of the laboratories operate in very primitive conditions. In 1991, Turkish authorities seized five laboratories containing a total of nearly one-half ton of heroin. Major Turkish, Iranian and other international trafficking organizations operate out of Istanbul, where they maintain connections with Pakistan, Iran and eastern Turkey, as well as Europe, the U.S., and Canada.

Opium poppies have been cultivated in Anatolia for medicinal purposes for centuries. Turkey is one of the traditional opium poppy growers recognized by the USG for legal poppy cultivation. In 1971, to combat leakage into illicit channels, Turkey enforced a comprehensive ban on poppy cultivation. The ban was eased in 1974 to permit licit poppy cultivation in a limited number of provinces using the concentrate of poppy straw (CPS) method of production. Using this process, Turkey produces licit morphine for the U.S. and other countries for use in the manufacture of pharmaceuticals.

Turkish Government controls over the cultivation and production of opiates appear effective. There is no significant leakage from licit cultivation because of the high prices paid for licit opium, heavy penalties for using the old incision method of collecting opium gum, and government monitoring of the growing areas. The Bolvadin alkaloid plant, the GOT's CPS facility, is the largest of its kind, with an annual capacity to process 20,000 mt of straw. The 1990 crop was very small because of drought and low prices; the plant processed virtually no straw in 1991 until the new crop in August. The total amount processed at the Bolvadin plant for all of 1991 is about 7,000 mt of straw, for a total of 18 mt of CPS. Turkey exported only 2 mt of CPS to the U.S. in 1991.

Turkey has no legislation prohibiting money laundering. It does take place on a limited scale and there is potential for increased activity. Turkish nationals may freely purchase foreign exchange and hold foreign exchange denominated accounts. These transactions are reported only in the aggregate to the central bank.

III - Country Action Against Drugs in 1991

Policy Initiatives. Turkey was one of the first countries to sign the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The GOT is working on draft legislation to permit it to ratify the Convention. Turkey is also a party to the 1961 United Nations Single Convention on Narcotic Drugs, but not to its 1972 Protocol; it is a party to the 1971 Convention on Psychotropic Substances.

Accomplishments. The Turkish Police made several significant seizures during the year. This illustrated not only Turkish enforcement activity, but also the increased amount of drugs now transiting Turkey. It is evident that Turkey needs laws permitting the controlled delivery of illicit drugs. This would greatly increase Turkey's narcotics interdiction capability by allowing suspected drug traffickers to travel to another country and lead authorities to other members of trafficking organizations. Laws against money laundering, asset seizure, and conspiracy are also required.

Though the U.S. has made no extradition requests, an agreement on extradition and mutual assistance between the USG and the GOT has been in force since 1981.

Law Enforcement Efforts. Turkish enforcement agencies cooperate closely with the U.S. and other countries, aggressively pursue drug investigations, and prosecute traffickers. A major problem in Turkish interdiction efforts is a lack of manpower. Currently, there are only 120 narcotics officers in Istanbul, a city of over 10 million with a serious trafficking problem. There have been no major changes in anti-narcotics law enforcement measures since 1988, but there is mounting pressure from countries affected by narcotics from Turkey to make the changes needed to comply with the 1988 UN Convention. Very little of the heroin passing from and through Turkey is detected and seized. The principal agencies involved in law enforcement are the Turkish Police and the Jandarma. The Turkish Customs turns narcotics matters over to the Police. The Turkish Coast Guard is beginning to play a larger role in interdiction. The Ministry of Interior coordinates all smuggling interdiction.

During the first ten months of 1991, the Police and Jandarma seized a record 1,480 kg of heroin/morphine base and five heroin processing laboratories.

Corruption. Turkish criminal and anti-smuggling laws carry heavy penalties for corruption, especially if related to narcotics. But there are allegations of corruption at many levels of the criminal justice system. Although senior law enforcement and most other government officials fully cooperate on narcotics interdiction efforts, drug investigations have been compromised at the investigative level and there are problems of corruption once apprehended traffickers enter the judicial system.

The USG is unaware of reports of any senior Turkish officials engaged in illicit drugs or money laundering.

Agreements and Treaties. Turkey has signed several bilateral agreements for narcotics interdiction. Denmark, Spain, the UK, Austria and Germany, as well as the U.S., have resident police liaison officers in Turkey. The USG and the GOT signed an Extradition Agreement in 1979 and a Narcotics Assistance Protocol in 1980.

Domestic Programs. Drug addiction is not presently a significant problem in Turkey, although some educators, police officials and medical personnel are concerned that it could become one. Most Turks believe that only a few of the most wealthy, young Turks in large cities use cocaine; hashish is more widely consumed. Heroin addiction appears to

be confined to Iranian immigrants, principally in the major cities. The GOT emphasizes the role of education in preventing drug abuse, especially among the young. Many primary and secondary school officials invite narcotics officers to lecture on the health hazards of drug abuse. The Ministry of Health has control over the sale of controlled drugs through a special prescription system.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. U.S. policies and strategies have focused on strengthening investigation and interdiction efforts in Turkey, especially in the southeastern region, as well as along the east-west highways of the country. Training of Turkish National Police and Jandarma officials has also been a priority. USG funds are used to improve the mobility of the Turkish Police, enhance their detection of illegal operations, and facilitate the transmission of intelligence on potential smuggling operations. A small portion of the assistance is provided to the Turkish Alkaloids Board to support its efforts to prevent the diversion of opium poppy.

Bilateral Cooperation. Because drug seizures have increased, the USG considers that progress has been made in achieving the goal of improving the ability of the Turkish law enforcement abilities. USG assistance is used principally for obtaining electronic and computer equipment for the Turkish Police.

The Road Ahead. The Turkish Government is committed to reducing narcotics trafficking across Turkey. Given the challenges this poses, it is imperative that Turkey move quickly to take the steps necessary to ratify the 1988 UN Convention. This will greatly strengthen interdiction efforts and international cooperation.

Statistical Tables [a]

TABLES for CY		1992 est.	1991	1990	1989	1988
Seizures (b)						
Opium	[mt]	0.05	0.022	0.004	0.004	0.008
Heroin	[mt]	1.5	1.480	1.036	1.100	1.425
Hashish		8	5.511	11.900	6.860	6.500
Other Opiate	[mt]	-	0.350	0.430	0.242	0.054
Other Cannabis	[mt]	-	5.000	5.000	6.850	6.498
Acetic Anhydride	[mt]	22	22.730	5.440	-	0.417
Cocaine	[mt]	0.001	0.001	-	-	-
Arrests	persons	2200	2,201	2,213	1,955	1,404
Labs Destroyed						
Heroin		5	5	7	6	2

(a) Sources: Turkish National Police, Jandarma, and Turkish Opiates Board (TMO).
(b) From January 1-November 20, 1991 1/29/92

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AFRICA

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IVORY COAST

I. Summary

Ivory Coast serves as a drug transit point, primarily for heroin but for some cocaine as well. Ivory Coast produces only small amounts of low-grade marijuana for domestic consumption. Domestic consumption of illegal narcotics increased in 1991. The National Drug Police coordinates counternarcotics efforts. The Government of Ivory Coast (GOIC) recognizes that narcotics are a growing problem, but its control efforts are hampered by a lack of resources.

II. Status of Country

Ivory Coast is a transit point for traffickers because of the large number of international flights that pass through the capital, Abidjan. Nigeria's tighter anti-trafficking measures at the Lagos airport have prompted greater use of Abidjan as a transit point for Asian heroin and South American cocaine bound for Europe and North America. Domestic drug use increased in 1991 and is regarded as a significant problem. The drugs most commonly abused are amphetamines and marijuana but cocaine and heroin abuse increased in 1991. Abidjan is a regional financial center and may be a money laundering site. The USG is not aware of any narcotics processing in Ivory Coast.

III. Country Action Against Drugs in 1991

Policy Initiatives. The GOIC started operations out of six regional offices of the National Drug Police in order to increase anti-drug efforts in the interior of the country. The GOIC had planned to open five more local offices in 1991 but lacked the resources to do so.

Accomplishments. The GOIC was unable to match its 1990 level of drug arrests because gasoline shortages limited police activities. However, the number of seizures increased as the authorities focused their resources on the more important traffickers. The GOIC concentrated on reducing the use of Abidjan's airport as a narcotics transit point and as a supply point for the domestic market. The GOIC demonstrated greater public attention to the narcotics issue through policy statements by the Minister of Interior and Internal Security and in articles on drug abuse carried in the government-owned media.

Law Enforcement Efforts. National Drug Police enforcement programs are relatively well organized but suffer from a lack of resources. Although drug seizures increased in 1991, they had little impact on the availability of narcotics. Jail sentences are mandatory for drug offenders, with five-year terms for consumers and ten-year terms for dealers and traffickers.

Corruption. The authorities arrested several officers of the National Drug Police for corruption, and the GOIC appears to be making an effort to clean up the force. No senior officials were indicted for drug-related corruption. The GOIC does not encourage the production or distribution of narcotics, psychotropic drugs or other controlled substances. The USG has no evidence that any senior GOIC official has engaged in the production or distribution of drugs, or the laundering of narcotics proceeds.

Agreements and Treaties. The GOIC is a party to the 1961 United Nations Single Convention on Narcotic Drugs and the 1971 Convention on Psychotropic Substances. It ratified the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1991.

Cultivation and Production. Marijuana is grown in small quantities solely for local consumption in eastern Ivory Coast. Production levels appear to have been relatively unchanged in 1991 but the Drug Police have no reliable data on quantities. In light of the small amount of cultivation and the limited counternarcotics resources, the GOIC is not likely to reduce production significantly.

Domestic Programs. There was an increase in domestic consumption of narcotics in 1991, particularly in heroin and cocaine abuse. The GOIC initiated a demand reduction education program featuring public events, articles in the press and other activities to alert the population to the dangers of drug abuse, but demand reduction and drug treatment programs were hindered by the lack of resources.

IV. U.S. Policy Initiatives and Programs

U.S. Policy Initiatives. The USG supports National Drug Police efforts to limit the use of Abidjan as a transit point for international narcotics traffickers with training and some material support.

Bilateral Cooperation. The USG in 1991 sent four police officers to regional training conferences conducted by the U.S. Drug Enforcement Administration (DEA) in Benin and Morocco. This program has improved the technical skills of the Drug Police and has encouraged the GOIC to cooperate with the USG on narcotics control.

The Road Ahead. In November, the Minister of the Interior and Internal Security agreed in principle to expand cooperation with the DEA. This will focus on joint operations against traffickers based in Abidjan as well as information exchanges on narcotics passing through the airport. The USG will provide some assistance to improve airport security and communications.

Statistical Tables /a

TABLES for CY		1992 est.	1991	1990	1989	1988
Seizures						
Cocaine	[mt]		0.0043	0.0025	0.005	-
Heroin	[mt]		0.0043	0.0028	0.004	-
Cannabis	[mt]		na	0.7261	0.647	-
Amphetamines	Capsules		817,008	na	na	
Arrests						
Nationals			-	226	4	-
Foreigners			-	445	418	-
Total Arrests			849.0	750	422	-

(a) Records were not tabulated prior to October 1988.

1/27/92

KENYA

I. Summary

Kenya is a transit point for Golden Crescent and Golden Triangle heroin destined for both European and North American markets. Indian methaqualone (Mandrax) also transits Kenya en route to South Africa. Kenya is not a signatory to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The government has yet to present to parliament draft legislation providing for asset seizure/forfeiture and life imprisonment for drug trafficking. As a result of inefficiency, lack of political will to attack drug trafficking vigorously, and, perhaps, corruption, both heroin and marijuana seizures declined markedly in 1991. In September, the USG agreed to provide an X-ray machine for use at the international airport. Cannabis grows widely throughout the country, but the extent is unknown. Most of it is consumed domestically. With UN assistance, the Government of Kenya (GOK) is attempting to raise the nation's consciousness about the dangers of drug abuse. While there are no statistics on the extent of drug abuse, the police put the number of heroin addicts in the country at 1,700.

II. Status of Country

West African couriers continue to transit Nairobi's Jomo Kenyatta International Airport and, to a lesser extent, Mombasa's Moi International Airport, laden with Asian heroin destined for markets in both Europe and North America. Moreover, USG authorities believe Kenya to be the principal transit point for methaqualone, a sedative also known as Mandrax, sent to South Africa by Indian traffickers. Fears that South American cocaine will transit Kenya have yet to materialize. (The Brazilian carrier Varig does not plan to commence flights to Kenya before 1992.)

The inability of Kenya's Navy and Coast Guard to patrol effectively its territorial waters means that large amounts of narcotics probably transit the country via the Indian Ocean. While there are reports of illicit money laundering, there have been no reports linking it to drug trafficking.

The GOK has yet to adopt any measures or enact any legislation concerning precursor or essential chemicals.

III. Country Action Against Drugs in 1991

Policy Initiatives. In April, Kenya hosted the fourth regional meeting of African Heads of National Drug Law Enforcement Agencies (HONLEA). Burudi Nabwera, then a Minister of State in the Office of the President, inaugurated the conference and called for African nations to ratify the 1988 UN Vienna Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and to enact legislation increasing the sanctions for drug trafficking.

Accomplishments. The Kenyan Government, however, failed to ratify the UN Convention, and legislation authorizing asset seizure/forfeiture and life imprisonment for drug traffickers has yet to be submitted to Parliament.

Law Enforcement Efforts. According to GOK statistics, heroin seizures dropped significantly in 1991. Through the third week of November, the GOK had seized 9.2 kg compared to 56.4 kg the preceding year. Since aircraft and couriers are still flying into Kenya from the source countries, the USG attributes this reduction to inefficiency and corruption. Similarly, GOK enforcement authorities seized 10.31 mt of cannabis in 1990 as compared to 6.54 mt through mid-November 1991. Mandrax seizures have remained essentially constant with 1.5 million tablets confiscated last year as compared to 1.3 million through November 1991.

While seizures have declined, prison terms meted out to traffickers have increased. Most traffickers are now being sentenced to five to six-year terms as compared to four-year terms in 1990.

Except for the February extradition of Nigerian Agboyi Robinson to the United States, the USG is unaware of any requests made to the GOK for the extradition of drug traffickers.

Corruption. To address the problem of corruption, including in the bureaucracy, the GOK has introduced legislation in parliament to stiffen Kenya's anti-corruption laws. As noted, the USG attributes the decline in the amount of heroin recovered in 1991 to governmental inefficiency and to corrupt officials who permit narcotics shipments to pass through Kenya. The GOK, as a matter of policy, neither encourages nor assists the production or distribution of illicit narcotic and psychotropic drugs.

Agreements and Treaties. The USG entered into an agreement with the GOK in September to provide X-ray equipment to narcotics control officials at the Jomo Kenyatta International Airport.

Cultivation and Production. Cannabis grows naturally throughout Kenya and the government does not keep statistics on production per hectare. While most of the marijuana is consumed locally, significant

amounts are shipped to Europe or are used in illicit barter trade with neighboring east African countries. Miraa, also known in the Arab world as khat, is a plant whose leaves are chewed for its mildly stimulating effect. In 1991, a number of towns proscribed its sale and consumption.

Domestic Programs. GOK statistics on the extent of drug addiction and abuse in Kenya are not available. The government, however, has received funding from the United Nations International Drug Control Program (UNDCP) to address this problem. The Ministry of Health has embarked on a survey to determine the number of drug users in six districts of the country. Without a firm basis for their estimate, the Kenyan Police believe that there are between 1,000 and 1,700 heroin addicts in the country, the majority of whom reside in Nairobi and the Indian Ocean city of Mombasa. Marijuana abuse is widespread in all socioeconomic strata. Many rural Kenyans smoke marijuana in conjunction with religious rites and for perceived medicinal effects. Middle- and upper-class urban Asian youths are the principal abusers of Mandrax. In 1991, the Ministries of Health and Education, with UN assistance, launched a drug awareness program, holding several seminars to educate teachers, doctors and pharmacists on the dangers of drug abuse.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The principal goal of the USG is to assist local law enforcement authorities to detect and interdict narcotic drugs transiting Kenya en route to the United States.

The Road Ahead. The USG will try to enhance cooperation and information exchanges between the GOK and the U.S. Drug Enforcement Administration (DEA), train local authorities in the area of narcotics detection, and encourage the GOK to enact legislation expanding the penalties for drug trafficking.

Statistical Tables

DATA TABLES for CY		*1992 est.*	1991	1990	1989	1988
Seizures						
Heroin	[mt]		0.009	0.056	0.009	-
Cannabis	[mt]		6.5	10.3	13.2	-
Other Drugs	[1000 units]		1,300	1,500	276	-
Total Arrests			-	-	1,766	-

[a] Data compiled and supplied by the Government of Kenya's Anti-Narcotics Unit. through third week of November 1991. Arrest data not available.

2/11/92

MOROCCO

I. Summary

Morocco is one of the world's largest producers of cannabis, the majority of which goes to Europe and North Africa as hashish. A small but increasing amount of cocaine is transiting from the Americas through Morocco en route to Europe. Limited interagency cooperation, budgetary constraints, alleged official corruption and a lack of political will by the Government of Morocco (GOM) hamper efforts to control the production and trafficking of narcotics.

II. Status of Country

Morocco is a significant producer of cannabis; most of it is processed into hashish resin or oil and exported to Europe directly from Morocco. Moroccan cannabis products also flow into Algeria and Tunisia for consumption or reexport to Europe. Estimates of the amount of crop consumed domestically range from 20 percent (Ministry of Health) to 70 percent (Ministry of Interior).

Moroccan officials have expressed concern that marijuana smuggling networks are diversifying into the trafficking of heroin and cocaine. Seizures of heroin and cocaine remained small in 1991. Ministry of Health officials note that smugglers now appear to be repatriating some profits from the sale of hashish in Europe as cocaine and heroin. The GOM is currently studying evidence of increased heroin and cocaine addiction in Casablanca, Tangier, Tetouan and other cities. However, the Ministry of Health cites abuse of prescription drugs as the most serious non-cannabis drug abuse problem.

Most traffickers arrested are Moroccan, although authorities have detained many Europeans and a growing number of traffickers from the Americas and North and Sub-Saharan Africa. Most of the cannabis products move into Europe in trucks and cars on the ferries which run between Morocco and Spain, Gibraltar and France. The authorities frequently seize European and Moroccan trucks loaded with Moroccan cannabis products in Spain, France and Northern Europe. Traffickers also use the large fleet of fishing boats off Morocco's Mediterranean coast to smuggle narcotics into Spain. There are indications that they are using Atlantic coast fishing boats as well to smuggle cannabis products, and possibly cocaine, into the Canary Islands for transshipment to Spain and the rest of Europe.

Most cocaine traffickers arrested in Morocco arrive at the Casablanca Airport on flights from Latin American cities. These traffickers generally seek to transit Morocco en route to Spain or Portugal, and perhaps further into Europe.

III. Country Action Against Drugs in 1991

Policy Initiatives. The GOM's Project Derro, a longstanding program aimed at promoting economic development in the Rif Mountain region, began to develop monitoring mechanisms in 1991 for the crop substitution program sponsored by the United Nations International Drug Control Program (UNDCP) in Al-Hoceima Province. In 1992, the UN plans to expand the program into a neighboring province. The Ministry of Health is currently conducting a study, funded in part by the European Community (EC), of drug use in Morocco. The Ministry hopes to use this information to develop drug abuse treatment and education strategies.

The GOM created an Office for Direction of Anti-Narcotics Efforts within the Ministry of Interior to direct and coordinate the anti-drug activities of various Moroccan law enforcement agencies. By the end of the year, however, no significant increase in coordination or cooperation was evident.

Accomplishments. The UNDCP-sponsored crop substitution program in Al-Hoceima Province reported limited progress in 1991. In the two years since its inception, the program has succeeded in eliminating only approximately 80 hectares out of the estimated 2,000 hectares of cannabis in the operative area. Approximately 30 hectares were eliminated in 1991.

In September, the U.S. and Morocco held a review of bilateral cooperation under their 1989 Anti-Narcotics Agreement. Also in September, the U.S. Drug Enforcement Administration (DEA) conducted a two-week training course in anti-narcotics law enforcement for police officers from Morocco's Surete Nationale and from nine other North and Sub-Saharan African countries. Two other Surete Nationale officers attended a similar DEA course in November in Cairo. British Customs officials conducted a two-week training course for Moroccan Customs officers in November.

Law Enforcement Efforts. GOM officials stated that budgetary constraints limited their interdiction efforts. A lack of coordination and cooperation among the Surete Nationale, the Gendarmerie Royale, Moroccan Customs and the other agencies responsible for the control of narcotics also limited the success of GOM efforts. In addition, Moroccan law enforcement officials complained that Moroccan legal codes prevented their conducting undercover and "sting" operations. Narcotics cooperation between Moroccan and foreign law enforcement agencies has been confined primarily to training and liaison. The government accomplished no extraditions, joint operations or investigations during 1991.

Corruption. There is evidence -- primarily reports from reliable official and other sources -- that corruption of local officials and police undermines the GOM's enforcement efforts. In particular, there are reports of investigations being dropped to cover up the involvement of prominent officials or private citizens. Law enforcement officials reportedly pay large sums for assignments to Tangier or the Rif because of the financial rewards available from the drug trade. Despite the indications of widespread corruption, only a few low-level Customs employees have been arrested and prosecuted.

Agreements and Treaties. Morocco is a signatory to the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, but has not ratified it. Morocco is a party to the 1961 UN Convention on Narcotic Drugs, although not to its 1972 Protocol, and to the 1971 UN Convention on Psychotropic Substances. The U.S. and Morocco signed a Mutual Legal Assistance Treaty in 1983; it was ratified by the U.S. in 1984, but continues to await Moroccan ratification. In 1989, Morocco and the U.S. signed a bilateral narcotics cooperation agreement in compliance with the Chiles Amendment. The Agreement provides for cooperation in the fight against illicit production, trafficking, and abuse of narcotics. Morocco also has bilateral anti-narcotics or Mutual Legal Assistance Agreements with the EC, France, Germany, Italy, Portugal, Spain, and the United Kingdom, and is a member of Interpol.

Cultivation and Production. The GOM estimated the area under cannabis cultivation in 1991 to be approximately 30,000 ha. Nonofficial estimates range as high as 40,000 ha. Most cannabis is produced by farmers in the Rif Mountain region of northern Morocco, although some production also occurs in the Souss Valley in the south. There was no apparent reduction in cultivation in 1991 apart from the negligible reduction of 30 ha in Al-Hoceima Province noted previously. Areas of cultivation under official scrutiny were sometimes abandoned, only to be replaced by more remote fields. GOM officials estimate that an average hectare of cannabis produces 8 to 12 mt of raw plant, or kif. Each mt of kif is estimated to yield 20 kg of premier hashish and 10 kg of secondary quality hashish. No figures were available for conversion ratios of kif to cannabis resin or hashish oil.

The GOM has officially adopted a policy of total eradication. In practice, however, eradication is undertaken only in conjunction with substitution of crops having "almost the same profitability." At the present time, the UN-sponsored project in Al-Hoceima Province is the only site where the GOM is eradicating cannabis. The governor of the province has noted that the new crops and animal husbandry projects -- fruit trees, goats, rabbits -- should produce up to 50 percent as much income for the farmers as growing cannabis. Maximum achievable reduction will, therefore, depend upon the progress of the UN project.

Domestic Programs. Ministry of Health officials are working with physicians' groups to control the issuance of prescriptions for narcotic drugs that are resold illicitly. A number of private organizations and educational institutions are trying to develop anti-narcotics education and treatment programs. Because of budgetary constraints, however, the GOM's financial contribution to the programs is minimal.

IV. U.S. Policy Initiatives and Programs.

Policy Initiatives. Narcotics produced in or transiting Morocco rarely, if ever, reach the United States. The goals of U.S. policy are to encourage Moroccan anti-narcotics efforts; to cooperate with Moroccan law enforcement officials to curtail production and transit of drugs; to provide training in law enforcement techniques; to promote GOM adherence to bilateral and international agreement requirements; to provide support, as appropriate, for existing Moroccan-European cooperation in this field; and to encourage greater international cooperation to control Moroccan production and exportation of drugs.

Bilateral Cooperation. Pursuant to their 1989 anti-narcotics agreement, the U.S. and Morocco have maintained a dialogue on anti-narcotics law enforcement issues. The U.S. has also provided training and anti-narcotics intelligence information where possible. The U.S. continues to encourage Morocco to ratify the 1983 Mutual Legal Assistance Treaty.

The Road Ahead. The U.S. will continue to monitor the narcotics situation in Morocco, to cooperate with the Moroccan Government in its anti-narcotics efforts, and to provide law enforcement training, intelligence and other support where possible.

Moroccan officials regard hashish as a "soft" drug, and its domestic consumption as culturally based. The drug trade has brought economic benefits for some in the Rif region, parts of which are now virtually controlled by well-armed traffickers. As long as the GOM does not regard the "hard" drug abuse problem as severe, it is unlikely that it will exert a maximum effort to eliminate cannabis production in Morocco.

Statistical Tables

TABLES for CY		*1992 est.*	1991	1990	1989	1988
CANNABIS						
Harvestable Cultivation	[ha]	-	29,970	27,380	19,960	19,960
Eradication	[ha]	-	30	20	40	40
Cultivation	[ha]	-	30,000	27,400	20,000	20,000
Yield	[mt]	-	-	18,107	13,200	13,200
Loss Factor	[mt]	-	-	1,811	1,320	1,320
Seized in-country	[mt]	-	-	30.5	50	50
HASHISH						
Converted from cannabis	[mt]	-	-	-	4,400	4,000
Potential Yield	[mt]	-	-	-	85	85
Consumed	[mt]	-	-	-	6	6
Seizures						
Marijuana	[mt]		-	30.5	23.00	23.00
Other Cannabis	[mt]		-	-	8.00	8.00
Cocaine	[mt]		0.12*	-	0.02	-
Heroin	[mt]					
Arrests			-	-	5,100	5,100
Domestic Consumption						
Marijuana	[mt]		-	-	1,400	1,400
Other Cannabis	[mt]		-	-	5	5

All data from the GOM. The GOM was unable to provide any 1992 estimates.

* First half of year only.

NIGERIA

I. Summary

Nigeria is a major transshipment country for heroin and the focal point for most West African heroin trafficking organizations. Although a record number of Nigerians were arrested abroad in 1991, heroin seizures in Nigeria were down. An insignificant number of Nigerians were arrested for drug offenses during the year in Nigeria and, to date, Nigeria has not presented evidence of anyone being prosecuted, convicted or sentenced. Although cocaine seizures have increased, there have been few arrests of cocaine traffickers in Nigeria and no documentation of prosecution. A number of Nigerians were arrested by the Nigerian Drug Enforcement Agency (NDLEA) for drug offenses, a non-bailable charge in Nigeria. However, none of the defendants are currently in jail. There is growing evidence of money laundering in Nigerian financial institutions. The Nigerian Government has been requested over the past year to enact a comprehensive money laundering decree that would address the transfer and shipment of millions of dollars to heroin source countries but there have been no positive efforts in this direction. The government has as yet not shown the political will necessary to attack major drug trafficking organizations in Nigeria nor to devote adequate resources to the task.

II. Status of Country

Nigeria increasingly is identified worldwide as the source of a seemingly endless stream of heroin couriers. Nigerians operate sophisticated drug trafficking and money laundering rings spanning five continents. In 1990, Nigerian nationals accounted for over 40 percent of U.S. Customs heroin seizures in the U.S. Through August, Nigerians carried over 60 percent of the heroin seized at New York's JFK International Airport. Nigerian organizations commonly recruit foreign nationals, including U.S. citizens and resident aliens. Marijuana is the only illicit substance produced in Nigeria, with record quantities seized by Nigerian authorities in 1991. Cocaine comes to Nigeria from South America, primarily through Brazil, for domestic consumption as well as for reexport to Europe. Nigerian marijuana is also shipped to Europe.

III. Country Action Against Drugs in 1991

Policy Initiatives. The NDLEA concentrated its efforts on expanding the responsibility, authority and personnel for narcotics matters within the

government bureaucracy and throughout the country. The Federal Military Government (FMG) increased funding for the NDLEA as well as for public awareness and educational programs aimed at reducing demand. While welcome, these efforts have not been vigorous or sustained by a country-wide strategy designed to root out illegal drug trafficking and abuse.

Accomplishments. The USG and FMG concluded a bilateral narcotics control agreement in 1989. The agreement established a joint counternarcotics task force, which, functioning under the agreement, made a number of arrests and seizures in 1991, including the arrest of the organizer of a mid-sized trafficking ring. Unilaterally, the FMG conducted drug raids and seized shipments of drugs in airports, on Nigeria's borders and in the ports. Most seizures were small. Similarly, the authorities have tightened narcotics control measures at Murtala Mohammed, the international airport that services Lagos. However, additional measures must still be taken at Murtala Mohammed and significant improvements made at the Mallam Aminu International Airport at Kano and at the international air and sea ports at Port Harcourt. While there is no data on the extent of cannabis cultivation in Nigeria, the FMG reportedly seized over 1,000 kg of marijuana in 1991.

Law Enforcement Efforts. The NDLEA, a relatively new drug enforcement agency, is still developing. Comprised initially of agents seconded from the National Police and Customs, the NDLEA trained and fielded more than 700 of its own agents in 1991. Customs and Police agents, therefore, are returning to their home agencies. NDLEA's 1990 budget was approximately $3 million; for 1991, it was increased to approximately $10 million. NDLEA agents are now present at Nigeria's international airports and are gradually moving into border posts and seaports. The NDLEA plans to establish a forensic laboratory to assist investigations. Miscellaneous-offenses tribunals are planned in each state to prosecute narcotics cases, which now are often delayed due to the release of defendants and the theft of drug evidence by corrupt NDLEA officials. The NDLEA, however, is still not an effective force against narcotics trafficking. In order to become so it must have stronger backing from the FMG and must rid itself of internal problems, including corruption in its ranks.

Corruption. The FMG does not, as a matter of government policy, facilitate the production or distribution of drugs or laundering of money. Corruption, however, is a serious problem limiting the effectiveness of counternarcotics enforcement. In May, the FMG enacted a law making drug offenses non-bailable. Nevertheless, the unauthorized release of drug suspects from police custody has continued. Corruption charges against lower ranking Nigerian officials have resulted in dismissals but no prosecutions. In early March, NDLEA Chairman Fidelis Oyakhilome was suspended indefinitely in conjunction with allegations of accepting a bribe not to pursue narcotics traffickers. No official charges have been leveled against the Chairman, who has maintained his innocence.

Agreements and Treaties. Nigeria has signed and ratified the 1988 UN Convention Against Illicit Traffick in Narcotic Drugs and Psychotropic Substances. It is also a party to the 1961 United Nations Single Convention on Narcotic Drugs and its 1972 Protocol, as well as the 1971 Convention on Psychotropic Substances. The 1931 U.S.-UK extradition treaty was made applicable to the territory of Nigeria in 1935. No drug-related extradition requests were made or received in 1991. Great Britain, Germany and the Netherlands have official exchange programs with the FMG on counternarcotics issues. The NDLEA continues to work with the Embassy of Thailand in requiring NDLEA clearances on certain Nigerian visa applicants. This operation is aimed at reducing Nigerian citizens' drug purchases in Thailand, although as yet they have not been a significant deterrent. The NDLEA is negotiating similar visa screening agreements with several other Asian and South American countries.

Cultivation and Production. Only cannabis is cultivated in Nigeria. Production and consumption is fairly widespread. Since Nigeria has no eradication program, the USG cannot provide information on maximum achievable reductions.

Domestic Programs. Drug abuse is on the rise in Nigeria. The Acting NDLEA Chairman announced that a recent study showed 9 percent of admissions in the nation's mental health institutions in 1989 were for drug-related problems. The FMG is working with civic organizations to reduce narcotics demand by providing financial assistance and sponsoring advertising campaigns and demand reduction seminars.

Senior government officials are focusing public attention on Nigeria's growing drug abuse problem. The NDLEA counselling unit, with USG help, has launched several programs focusing on the media and drug education in schools.

In June, the NDLEA sponsored a national anti-drug week, a coordinated effort between the FMG, schools, and private institutions, to highlight the dangers of drug abuse through seminars and public meetings. NDLEA followed in September and November with workshops on drugs and students, athletes, and the media. At the suggestion of the NDLEA, the FMG has made drug education compulsory at all educational levels beginning in 1992.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. Helping Nigeria to reduce narcotics trafficking, primarily heroin, is a top U.S. priority. Specific objectives include:

- enhancing bilateral cooperation through the joint narcotics task force;

- improving Nigerian intelligence gathering capabilities and investigative techniques;

- monitoring and curbing money laundering and assisting in drafting effective laws for its enforcement;
- concluding an air carrier agreement between U.S. Customs and Nigerian Airways;

- encouraging the FMG to enact laws against conspiracy. Conspiracy provisions do not currently exist under Decree 48, making it easy to prosecute couriers but extremely difficult to prosecute major traffickers.

Bilateral Cooperation. A 1989 U.S.-Nigerian Memorandum of Understanding established the Joint Narcotics Task Force. This Task Force is credited with disrupting three trafficking organizations, leading to arrests and seizures in both the U.S. and Nigeria in 1991. To date, however, no major Nigerian drug traffickers have been arrested.

In 1991, USIS sponsored three academic specialists and two International Narcotics Information Network teams of anti-narcotics counselors, sponsored eight Nigerian international visitors, provided volumes of narcotics-related articles and distributed thousands of books, pamphlets and videos on demand reduction to private and public organizations.

Four NDLEA assistant narcotics superintendents and the Comptroller of Nigerian Immigration (Investigations) visited the U.S. during the year to discuss contraband enforcement efforts.

In September, the USG signed a bilateral assistance agreement with the FMG under which the FMG has received computers and communications equipment.

The Road Ahead. The USG will support NDLEA's efforts to become a more effective counternarcotics force. In addition to narcotics interdiction, the U.S. will seek substantial increases in the prosecution and confinement of traffickers in Nigeria, as well as the arrest and extradition of Nigerian drug traffickers indicted in the U.S. Demand reduction programs will remain key concerns.

Statistical Tables

TABLES for CY		1992 est	1991	1990	1989*	1988
Seizures [a]						
Cocaine**	[mt]	-	0.261	0	0.007 [b]	0.051 [b]
Heroin***	[mt]		0.223	0.043	0.143	0
Cannabis***	[mt]	-	1.095	0.066	0.012	0.064
Other	[mt]		0.016	na	na	na
Arrests [c]						
Nationals		-	179	475	155	88
Foreigners		-	0	0	0	0
Total Arrests		-	179	475	155	88

[a] Figures for previous years corrected by Nigerian Government
[b] Before 1990, cocaine and heroin were reported together
[c] Previous years' figures corrected in 1991 by Nigerian Government

* through November 1989
** through December 18, 1991
*** through September 1991

1/30/92

SENEGAL

I. Summary

Favorable air and sea connections have made Senegal a key transit point for narcotics moving from Africa to Western Europe and North America. The amount of trafficking, principally via Dakar's Dakar-Yoff International Airport, continued to rise during 1991. Domestic drug abuse was also on the upswing (although it has not yet reached the proportions found in Europe or the United States). Senegal is a party to several international treaties and has legislation to combat the illicit trade in narcotics. However, a paucity of local resources, weak border controls, and a low standard of living limit Senegal's ability to have a significant effect on the drug trade passing through its ports.

II. Status of Country

Senegal is not a major narcotics-producing country--only cannabis is cultivated, mostly for local consumption--but it is growing in importance as a transit point for drugs destined for the U.S. and European markets. Senegalese authorities have concluded that a well-organized "Nigerian network" uses Dakar extensively to recruit and send drug couriers to drug markets and as a transit spot for temporary storage of drug shipments. The vast majority of arrests which take place at Dakar-Yoff Airport are of Nigerians, followed by citizens of the other Anglophone West African nations. A number of Senegalese citizens have been arrested in Germany and France for drug trafficking.

Asians and American citizens have also been know to transit Dakar carrying drugs. Ethiopian Airline flights from Bombay via Addis Ababa and flights from Lagos or Abidjan are used heavily by traffickers. The methods used by drug smugglers consist primarily of ingestion, body carries, or false bottom luggage.

III. Country Action Against Drugs in 1991

Policy Initiatives. Senegal approached the U.S. and several West European governments with a proposal for the creation of an Inter-African Narcotics Policy Coordinating Council. The Senegalese believe that such an organization could play a key role in improving the narcotics information exchange and law enforcement activities of various African nations. The government hopes such a council will promote regional cooperation aimed at curtailing trafficking through Senegal and other West African nations.

Accomplishments. Senegal's known production is limited to cannabis, including a somewhat more potent local variety known as "lopito," which is grown mostly along the northern border of The Gambia and in the Casamance. Much of the crop grown in the marshy Iles du Saloum region is inaccessible except by water craft, in short supply among the law enforcement authorities. The last major eradication sweep in this region by the Gendarmerie took place more than ten years ago. There is no regular eradication program of the domestically consumed cannabis crop. Senegalese farmers in the southern growing region prefer to plant cannabis which they sell for cash at the Gambian border rather than ground nuts or other legitimate crops for which payment from the government is slow and cumbersome.

Law Enforcement Efforts. Drug enforcement efforts of the Police, the Gendarmerie, and Customs have not been well coordinated in the past. The government created a National Commission on Narcotics two years ago under the chairmanship of the Minister of Interior to coordinate national drug policy. To date, however, for lack of adequate resources the Commission has accomplished little. Subordinate to the Commission is a secretariat chaired by the Director of the Judiciary Police who is the de facto chief narcotics law enforcement officer. Liaison officers from the Gendarmerie and Customs are to be assigned to the secretariat to better coordinate overall anti-drug efforts.

Most successes in the drug enforcement field result from seizures by customs or police officers at Dakar-Yoff Airport or at border checkpoints along major roads. The single largest seizure of the year took place in late September when Customs officials found 9.5 kg of heroin and morphine base worth $1.75 million concealed in rolls of teleprinter paper.

Convicted drug traffickers risk sentences of two to ten years and fines of up to the equivalent of $37,000. In practice, however, the shortage of correctional facility spaces and cost of long-term imprisonment inhibits heavy sentences for drug traffickers. There have been no known extraditions of foreigners on drug charges.

Corruption. The low standard of living and the comparatively poor wage scale of civil servants represent serious vulnerabilities which are open to exploitation through corruption. Press accounts routinely detail cases of corruption and abuse of position by officials when these are uncovered. While no narcotics-related corruption cases have been publicized, corruption of officials by traffickers is as likely in Senegal as elsewhere.

Agreements and Treaties. Senegal is a signatory to all major United Nations narcotics conventions, including the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

Senegal has extradition treaties with Cape Verde, The Gambia, Guinea, Guinea-Bissau, Mali, Morocco, Tunisia, and France. Senegal is a member of Interpol and relies heavily on information obtained through Interpol channels. The director of the Senegalese Judiciary Police served as the African representative on the Interpol executive committee until mid-1991. Senegal will host the annual Interpol conference in the fall of 1992.

Cultivation and Production. As noted above, this is believed to be limited to cannabis, mainly for domestic consumption.

Domestic Programs. Senegalese authorities are concerned by the increase in local drug consumption and have a fairly active drug awareness and prevention program. According to a report prepared by the Ministry of Justice in July, the number of consultations for treatment of addiction problems increased from 8.5 percent of all medical/psychiatric consultations in 1980 to 25 percent in 1990, the last year for which data is available. A quarter of all juvenile offenders placed in detention centers were involved in either drug abuse or trafficking. The share of juvenile offenders involved in drug abuse rose from none in 1980 to more than one third in 1990. In 1984, a total of 679 drug-related arrests were recorded by the police, this rose to 2,108 in 1987, 2,525 in 1989, and reached 3,206 in 1990.

Another addiction problem stems from pharmaceuticals manufactured mostly in East European countries which are smuggled into Senegal from neighboring countries. Glue, varnish, and paint sniffing is also common among young drug abusers.

The Senegalese Boy Scouts and several other civic organizations have drug awareness programs. In June, the government sponsored a drug awareness week with considerable publicity in both the print media and on television. There has been a sharp increase in drug awareness messages aimed at parents and youth during prime time and weekend television viewing hours during the second half of 1991.

IV. U.S. Policy Initiatives and Programs

Policy Initiatives. The principal U.S. drug policy objective in Senegal is to assist local authorities in curbing the transit of narcotics through Dakar to North America and Western Europe. The main obstacles remain the lack of Senegalese resources and the level of poverty which make the financial inducements of the drug trade attractive and lead to corruption in border control and law enforcement agencies.

Bilateral Cooperation. During 1991, the State Department's Bureau of International Narcotics Matters (INM) funded the participation of several Senegalese Narcotics Brigade officers in regional drug training

seminars conducted by the U.S. Drug Enforcement Administration (DEA) in Benin and Morocco. Refills for drug testing kits previously donated to the judiciary police were also provided. In addition, a USG-supplied surge protector guarded sensitive X-ray equipment from current fluctuation damage at the airport.

Senegal receives assistance to combat drug trafficking from several other countries (Germany, France, Great Britain, and Egypt) as well as from the United Nations. Germany donated six vehicles for use in drug surveillance operations and continued to provide a full-year scholarship for the training of a Senegalese officer in narcotics enforcement at a German police academy. A British Customs Service team presented a seminar in search and seizure techniques in the fall. In August, the United Nations Drug Control Program (UNDCP) financed Senegal's first drug laboratory.

The Road Ahead. During the coming year, USG efforts will continue to provide training for Senegalese Narcotics Brigade officers. There are also plans to send the Director of the Judiciary Police on a USIA-sponsored program to visit drug treatment and enforcement facilities in the United States. This visit had been planned a year ago but had to be postponed.

Several years ago, there were informal discussions between the U.S. and Senegal regarding the establishment of a bilateral extradition treaty. Senegalese police authorities welcomed the idea with regard to drug-related cases but the full extent of what would be covered in an extradition treaty has yet to be formally raised with the GOS. We will encourage Senegalese judicial authorities to consider implementing asset seizure/forfeiture laws in narcotics-related cases as part of their legal code.

Another area where the USG wishes to increase cooperation is in the field of intelligence exchange on narcotics trafficking issues. Intelligence exchange has been a subject of discussion during visits by DEA officials from Nigeria.

Statistical Tables

TABLES for CY		1992 est.	1991	1990	1989
Seizures		na	na		
Cannabis	[mt]	na	na	70	30.5
Hashish	[kg]	na	na	1	0.752
Lopito	[kg]	na	na	185	na
Cocaine	[kg]	na	na	11	3.75
Heroin	[kg]	na	na	49	14.52
Barbiturates and Amphetamines	capsules	na	na	200,000	11,950

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CHEMICAL CONTROLS

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CHEMICAL CONTROL

Introduction

Chemicals are integral to the manufacture of illicit drugs. The production of heroin and cocaine relies on essential chemicals, which are used in the refining and processing of the drug. The production of synthetic drugs relies on precursor chemicals that become a part of the resulting product, as well as essential chemicals. In general, essential chemicals have significantly broader uses in manufacturing, medical and other legitimate industries than precursor chemicals. Thus, the volumes of essential chemicals manufactured and traded in international commerce are considerably greater than the volumes of precursor chemicals.

Preventing diversion of chemicals from legitimate commerce to illicit drug manufacture is an essential element of an effective strategy to curb drug trafficking, and active measures to control chemical diversion and encourage stricter regulation are essential features of the USG effort. Chemical regulation differs from traditional law enforcement, in that it seeks to prevent a crime, as opposed to regulations such as those concerning money laundering that target conduct that can occur only after the crime has been committed. Since chemical diversion can occur at any stage of a commercial transaction, from the chemical manufacturer, through brokers and shippers, to the ultimate consignee, laws must cover all aspects of the transaction.

The most effective action is that taken by the exporting country before exportation of the regulated chemical. The U.S. has pioneered efforts in this area and is working successfully with other countries and international organizations to improve control regimes. Even though the volume of commerce in many regulated chemicals is extensive, individual shipments are normally very large, limiting the number of transactions subject to regulation so that the administrative burden is not excessive for government or industry. In addition, it is possible to apply a targeted approach for some chemicals, regulating exports only to geographic areas associated with illicit cocaine and heroin manufacture.

Article 12 of the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances is the baseline international agreement for bringing diversion of chemicals to the illicit production of drugs under international control. Over 55 countries have ratified the Convention, and the U.S. is working to ensure the broadest acceptance possible for the Convention and accompanying implementing legislation.

There also are regional efforts. In 1990, the Organization of American States (OAS) adopted "Model Regulations to Control Precursor Chemicals and Chemical Substances, Machines and Materials," and recommended their implementation by its member states. The controls called for in the OAS Model Regulations are more extensive than those in the United Nations Convention. Ten OAS members have legislation in force consistent with the Model Regulations; three have proposed legislation to their legislative bodies; and three are preparing new legislation incorporating the Model Regulations.

The Council of the European Communities in December 1990 adopted Council Regulation No. 3677/90, creating a regime for control of imports to and exports from the Community based on the chemical control provisions of the 1988 UN Convention. The regulation specifies that "This regulation shall be binding in its entirety and directly applicable to all Member States."

Other countries are adopting systems based on their obligations under the Convention. The U.S. Chemical Diversion and Traffficking Act provides an effective regulatory regime for the U.S. These regimes are administered with varying degrees of efficiency; the U.S. system is the most advanced.

Consistent control procedures, however, are difficult to establish, given the availability of substitutes for some essential chemicals, the volume of trade and the number of suppliers for others, and the differing concepts of the proper role of governments in the oversight and regulation of commerce. As a result, existing measures to combat diversion fall short because they are neither uniform nor universal, allowing traffickers to switch to alternative sources of supplies when one source is no longer viable.

The USG is working in multilateral and bilateral fora to correct these deficiencies by encouraging the establishment of compatible national frameworks to regulate commerce in essential and precursor chemicals, and by assisting countries to build the infrastructure to effectively administer the frameworks.

Multilateral Initiatives

The most comprehensive initiative is the Chemical Action Task Force (CATF), mandated by the G-7 Heads of State and Government at the 1990 Economic Summit in Houston. The CATF mandate notes that "Effective procedures should be adopted to ensure that precursor and essential chemicals are not diverted to manufacture illicit drugs," and directs the CATF to develop such procedures. As the catalyst for the CATF and host of the Houston Summit, the USG was asked to organize and provide leadership for the CATF. Then-Deputy Attorney General William Barr served as the CATF Chairman.

Twenty-seven members representing 24 major chemical manufacturing and drug producing countries, and three concerned international organizations, participated in five CATF meetings held in Washington between October 1989 and May 1990. The result was a report to the July, 1991 Economic Summit with recommendations of practical and feasible measures, building on those already embodied in the UN Convention, to control commerce in the most important precursor and essential chemicals. The Summit partners endorsed the report and its recommendations.

The recommendations include the addition of ten chemicals to the twelve already in the chemical control provisions of the 1988 UN Convention, and the identification of five basic measures to be incorporated in national control regimes to prevent the diversion of the chemicals to illicit drug manufacture.

The five recommended measures are

1. Vigilance - Commercial operators must be asked to alert the competent authorities about any suspicious transactions involving the chemicals. Public authorities should carry out cooperative programs with commercial operators.

2. Administrative Surveillance - Commercial operators must be required to maintain records and documents for all transactions in the chemicals. These should be subject to inspection by competent authorities for a period considerably longer than two years.

3. Registration/Authorization of Operators - Commercial operators must be subject to a licensing or authorization system in order to transact business in the chemicals.

4. Export Authorization - Exports must be contingent on issuance of an export permit for each transaction involving the chemical. The exporting country must require exporters to identify accurately the ultimate consignees in the importing country, as well as intermediary consignees (including brokers) prior to permitting any export. Based on information concerning the legitimacy of the shipment, including the authenticity of the import permit, if one is required, the exporting country shall authorize or deny the export.

5. Import Authorization - Importing countries must exercise strict diligence when authorizing imports. This includes ascertaining the importer's competence and integrity as well as the purpose for which the chemicals are being imported.

Depending on the importance of the chemical to drug manufacture and the volume of its trade in international commerce, the five measures are to be applied in varying degrees to the chemicals in the 1988 UN Convention, as amended by the addition of the ten chemicals recommended by the CATF.

CATF Implementation

The key CATF follow-up actions are to urge and assist the adoption and implementation of the CATF recommendations by CATF-member and nonmember countries. The emphasis is on the CATF members as the most pertinent countries. The USG is orchestrating the implementation process with the active assistance of other CATF members. The following has been accomplished since the July 1991 London Economic Summit.

- The Administration has proposed legislation to Congress amending the U.S. Chemical Diversion and Trafficking Act to incorporate those CATF recommendations not already adequately covered. These include the registration of handlers of precursor chemicals, the inclusion of brokers and dealers in the definition of regulated persons, the requirement for annual reports on quantities produced from manufacturers of listed chemicals, and the addition of two chemicals to those listed for control.

- The Commission of the European Communities, a CATF member, has taken the lead in proposing to the Council of the European Communities the amendment of the 1990 EC chemical control regulation to incorporate the CATF recommendations.

- The Commission of the European Communities, as part of its overall program of normalizing trade with the countries of Eastern Europe, is urging the adoption by these countries of the EC Regulation, as amended, to conform with the CATF recommendations. On December 19, 1991, the Commission signed association agreements with Czechoslovakia, Hungary and Poland with specific provisions for cooperation in preventing the diversion of chemicals used for the illicit manufacture of narcotics drugs and psychotropic substances.

- The OAS is assisting member states in establishing chemical control regimes based on the OAS Model Regulations and incorporating the CATF recommendations. In 1991, national training workshops were held in Bogota, Mexico City, Quito, and Santiago. The U.S. Drug Enforcement Administration (DEA) conducts much of the training.

- A special CATF meeting was held February 10-14, 1992, in Kuala Lumpur, Malaysia, to review the situation with regard to heroin chemicals, and to urge adoption of the CATF recommendations by countries in which heroin is illegally produced.

- Enforcement agencies of the major chemical producing countries and international organizations, such as INTERPOL and the Customs Cooperation Council (CCC), are meeting to harmonize chemical information data bases to facilitate the exchange of information on international transactions in regulated chemicals as called for in the CATF recommendations to curb diversion from legitimate uses.

- The CATF will hold a plenary meeting in May, 1992 to review progress by member countries in adopting and implementing the CATF recommendations. A progress report will be prepared and submitted to the 1992 Economic Summit.

Bilateral Initiatives

The USG is undertaking a number of bilateral initiatives to strengthen chemical control procedures. The primary objective is the establishment of mechanisms for cooperation between enforcement agencies administering compatible national chemical control regimes based on the CATF recommendations. In some cases--Bolivia, Colombia, Ecuador, Panama, and Peru--we have signed bilateral agreements to spell out obligations to exchange chemical transaction data. In the majority of cases, the cooperation is the result of normal coordination between enforcement agencies, frequently involving international organizations such as INTERPOL and the CCC.

Our experience demonstrates that a country's ability to prevent the diversion of chemicals to illicit drug manufacture depends on the strictness of its chemical control laws and, most importantly, on its enforcement infrastructure, including regulatory procedures and properly trained and equipped enforcement personnel. For example, Bolivia, Colombia and Peru, the major cocaine producers, have strict chemical control laws and bilateral agreements with the U.S., but the continued production of cocaine demonstrates that essential chemicals are getting through.

The State Department Bureau of International Narcotics Matters (INM) is funding the chemical control training programs conducted by the OAS and DEA for the most important Latin American countries to correct this deficiency. The funding is provided through the United Nations Drug Control Program (UNDCP). In addition to training, material assistance will be required to equip properly field personnel to implement chemical control regulations.

However, even the strictest regime in the drug producing countries will not deny completely traffickers chemicals, given the multitude of routes through which they can be obtained, and the potential for manufacturing or recycling of chemicals in the cocaine processing countries. Controls must be exercised throughout the entire chain of a chemical transaction from the producer, to the trader, to the final consignee to ensure the legitimacy of each step, as well as the ultimate use of the chemical.

Essential to the exercise of such controls is the development and operation of international data bases containing information on chemical transactions and companies involved in commerce in chemicals. In addition to information contained in its own data base, this system should permit specific inquiries to the proper authorities in other countries which might have information relevant to a chemical transaction in their data bases. DEA organized an international conference in Lyon, France, in September 1991 at which this concept was accepted. Follow-up working group meetings will deal with specific issues associated with the establishment and operation of the data bases.

Outlook

The major industrialized chemical producers have the ability to regulate trade in precursor and essential chemicals. However, in many cases they have not acknowledged until recently the relationship between chemical control and a comprehensive drug control strategy. The reluctance stemmed largely from the concept that legitimate commerce should not be burdened with chemical control regulations to prevent a drug crime, and the belief that the size and complexity of national and international commerce in chemicals, and the availability of substitute chemicals, made regulation impractical and not feasible.

Attitudes are changing as chemical control becomes accepted as a valuable counternarcotics tool. The U.S. success in implementing and administering its chemical control law has demonstrated that it is an effective approach to the problem of chemical diversion. The extensive debate by the most concerned countries in the CATF convinced them that chemical control is feasible and not unduly burdensome. The result is a comprehensive body of recommendations for control and its international implementation.

The action of the Council of the European Communities in strengthening EC chemical regulations to incorporate the CATF recommendations, their adoption by other chemical manufacturing countries, and the U.S. Chemical Diversion and Trafficking Act provide the basis for major chemical producers to cooperate. U.S. chemical training and assistance programs in Latin America are helping to establish the infrastructure to implement the strict OAS Model Regulations in cocaine producing countries, and the February, 1992 heroin chemical meeting has strengthened the dialogue with the heroin producing countries.

This is providing the foundation for enhanced international cooperation between enforcement agencies of major chemical and drug producing countries. Our chemical control objective is to extend adoption of compatible chemical control regimes through the CATF to those countries that do not have them, while concurrently enforcement agencies work to improve cooperation with those that do. The ultimate objective is to make diversion prevention a standard part of any transaction involving a drug-related chemical.

COUNTRY REPORTS

(Note: Chemical control is a rapidly evolving area as countries adopt and implement regulations based on their obligations under the 1988 UN Convention, and their membership in the CATF, the OAS and the European Community. The USG is urging and assisting these efforts as appropriate. These status reports are based on the most current information available for major drug producing and chemical manufacturing and trading countries.)

SOUTH AMERICA

Argentina is one of South America's largest producers of precursor and essential chemicals. It is a member of the OAS and the CATF and has legislation in force consistent with the OAS Model regulations. Nevertheless, joint Argentine-DEA investigations have identified manufacturers and distributors diverting chemicals to Bolivia for cocaine production. These investigations revealed that chemicals were purchased legally in Argentina and then transported to Bolivia. Although the documentation is legal, the companies listed as recipients are sometimes bogus.

Bolivia is a party to the 1988 UN Convention, and a member of the OAS and CATF. It has legislation in force consistent with the OAS Model Regulations, and has signed a bilateral chemical control agreement with the U.S. In 1990, Bolivia established a national chemical regulatory agency which is expected to expand during 1992 with USG and UN assistance. The agency oversees the licensing and marketing of precursor and essential chemicals. Other organizations involved include the Narcotics Police, Customs and the National Rural Police Mobile Patrol Units (UMOPAR).

Brazil is a major South American chemical producer. It is a party to the 1988 UN Convention, and a member of the OAS and the CATF. It has under consideration legislation consistent with the OAS Model Regulations. At present, enforcement of the precursor and essential chemical component of the 1976 narcotics law depends upon a Ministry of Health regulation that requires receipts for transactions in acetone and ether. The Department of Federal Police has a regulatory program in place; however, it is difficult to judge its effectiveness at this time.

Colombia is a member of the OAS and the CATF. It has signed, but not yet ratified the 1988 UN Convention. It has chemical control regulations in place consistent with the OAS Model Regulations and has signed a bilateral chemical control agreement with the U.S. Penalties for violation of national chemical control laws include prison terms up to twelve years, fines to 400 times the monthly minimum wage, suspension of commercial licenses, suspension of professional licenses, and seizure of assets related to narcotics trafficking.

Ecuador is a party to the UN Convention and a member of the OAS and the CATF. It has in force chemical laws and regulations consistent with the OAS Model Regulations and has signed a bilateral chemical control agreement with the U.S. Although not a major chemical producer, chemicals imported into Ecuador appear to be transshipped to Colombia.

Paraguay is a party to the 1988 UN Convention and a member of the OAS. It has enacted chemical control legislation which requires reporting of the import, export, manufacture and use of precursor and essential chemicals. The penalties for violation of these controls are strictly enforced. At the April 1991 IDEC IX Conference in Cartagena, Colombia, Paraguay agreed to pay particular attention to chemical controls, and the government is now drafting amendments to the existing law to strengthen it in conformity with the OAS Model Regulations.

Peru has ratified the UN Convention, but it has not yet deposited the instrument of ratification with the United Nations. It is a member of the OAS and the CATF, and has in force chemical laws consistent with the OAS Model Regulations. The U.S. has a bilateral chemical control agreement with Peru and is now discussing the chemicals to be covered by it. In the meantime, USG law enforcement authorities regularly exchange on an informal basis information concerning international chemical shipments and investigations of known or suspected cases of diversion with appropriate GOP authorities. Peru has taken advantage of provisions in the European Community chemical regulations to receive information on EC-origin shipments to Peru of regulated chemicals.

Venezuela is a party to the UN Convention and a member of the OAS. It developed a package of proposals to revise the 1984 drug law to make it consistent with the OAS Model Regulations. At present, Colombian traffickers take advantage of weak controls on important cocaine chemicals such as methyl ethyl ketone to obtain supplies. Other essential chemicals are also imported into Venezuela, legally or illegally, and reexported to Colombia.

MEXICO AND CENTRAL AMERICA

Mexico is a party to the UN Convention and a member of the OAS. It has in force chemical control regulations consistent with the OAS Model Regulations. Most of the essential chemicals for heroin manufacture in Mexico are purchased clandestinely in small amounts within Mexico. Some essential chemicals for cocaine manufacture transit the country to the laboratories in South America.

Panama is a member of the OAS. It has not enacted legislation to implement chemical regulations consistent with the OAS Model regulations. It is not a significant chemical manufacturing country, but is a potential transit country. The U.S. has a bilateral chemical control agreement with Panama. The government is cooperating fully in its implementation by providing information on approximately 87 companies suspected of transporting essential and precursor chemicals through Panama.

THE CARIBBEAN

The Bahamas is a party to the UN Convention and a member of the OAS. It is not a major chemical manufacturing or transit country. It has passed implementing legislation and issued almost all the regulations required by the Convention. The exception is a Customs order requiring that precursor and essential chemicals be licensed before entry or export. A draft of this regulation controlling 39 chemicals is now under consideration.

The Dominican Republic is a member of the OAS. Its comprehensive Drug and Substance Control Law, as amended, contains provisions for controlling precursor and essential chemicals. These include licensing of companies involved in the import, export, manufacture, or use of regulated chemicals and a requirement for a certificate for their import or export (exports are very rare).

Jamaica has signed but not ratified the UN Convention. It is a member of the OAS. It is not a major source country for precursor and essential chemicals and does not have in place specific legislation controlling them. However, Jamaica's sophisticated import/export monitoring program is capable of monitoring the flow of chemicals into and within Jamaica.

SOUTHWEST ASIA

India is a party to the UN Convention and a member of the CATF. Although India has established control zones along its borders with Burma and Pakistan to limit sales and movement of acetic anhydride, it has not implemented effective chemical control procedures consistent with the Convention provisions or the CATF recommendations.

Pakistan is a party to the UN Convention and a member of the CATF. A 1990 seizure of 19 mt of acetic anhydride by Pakistani Customs caused a temporary disruption in heroin production, demonstrating the value of controlling essential chemicals, and prompting the government to establish import controls for that chemical. It has not, however, established controls for the other essential chemicals called for in the Convention or recommended by the CATF.

SOUTHEAST ASIA AND THE PACIFIC

Burma is a party to the UN Convention. It has legislation providing the necessary authority for action against trafficking and possession of precursor and essential chemicals, but it does not have the full range of controls called for by the Convention, such as those requiring record keeping. Most precursor and essential chemicals for domestic use are smuggled into Burma, chiefly from India and China, evading all controls. Burma did participate in the CATF's February 1992 heroin chemical meeting.

China is a party to the UN Convention and a member of the CATF. In 1988, it adopted a law regulating the sale, distribution, and import/export of chemicals used in the production of narcotic drugs. The law controls three of the chemicals listed in the UN Convention and the government is now considering a proposal to place the remaining chemicals under control. Since the promulgation of the 1988 law, essential chemicals such as acetic anhydride have not been legally exported. However, there are reports they have been diverted for use in the processing of illegal narcotics outside China, principally in the Golden Triangle area.

Hong Kong is not a party to the UN Convention. However, five of the twelve chemicals currently in the Convention, including acetic anhydride, are subject to import and export licensing and record keeping requirements. Hong Kong did participate in the CATF's February 1992 heroin chemical meeting.

Japan is a member of the CATF. It has two laws which control certain precursor and essential chemicals. They are administered by the Ministry of Health and Welfare and prefectoral governors. The Stimulants Control Law regulating precursors is the most strict. It requires licensing of
manufacturers, wholesalers and retailers, and imposes record keeping requirements on them. Advance notice of shipments of regulated chemicals is required for imports and exports, but not for domestic transactions. The Deleterious Substances Control Law regulating essential chemicals requires registration of domestic dealers and importers, and imposes record keeping requirements on them. Exporters are not registered.

Laos has no specific chemical control legislation and keeps no records on imports and exports for law enforcement purposes. The penal code does contain a provision making it a criminal act to sell "forbidden commodities".

Malaysia is not a party to the UN Convention. It is not a member of the CATF, but it served as the host country for the February 1992 heroin chemical meeting. It licenses the importation of acetic anhydride under its Poison Control Act, which provides severe penalties for violations. Heroin production in Malaysia is negligible, but there are indications that acetic anhydride may be sold to or exchanged with heroin traffickers in Thailand and Burma.

Singapore is not a party to the UN Convention or a member of the CATF. Singapore does prohibit the domestic possession, consumption or sale of the twelve chemicals currently included in the Convention, except under strictly controlled license. It does not, however, control the resale and transshipment of these chemicals to third countries. It participated in the CATF's February 1992 heroin chemical meeting.

Thailand is a member of the CATF, and is expected to ratify the 1988 UN Convention in 1992. It has laws controlling six precursor and essential chemicals with very strict controls applied to four precursor chemicals. Two essential chemicals, ether and chloroform, are less strictly controlled. However, their sale, transfer or alteration is prohibited in three northern opium producing provinces. A few significant chemical seizures were made in 1991. However, the limited number of chemicals regulated, the volume of legitimate commerce in them, and the ability of traffickers to produce their own essential chemicals from more basic chemicals are permitting essential chemicals to get through.

EUROPE AND THE MIDDLE EAST

European Community Council Regulation No. 3677/90 of December 1990 establishes chemical control procedures in conformity with the requirements of the UN Convention and is "binding in its entirety and directly applicable to all Member States" with regard to their trade with non-EC countries. The Commission of the European Communities has proposed amending the 1990 regulation to incorporate the recommendations of the CATF.

Belgium, **France**, **Germany**, **Italy**, **The Netherlands**, **Spain**, and the **United Kingdom** are members of the CATF because of their important chemical industries. **Denmark**, **Greece**, **Ireland**, **Luxembourg**, and **Portugal** are not CATF members. (France, Germany, and the other major European chemical producing countries will present their chemical control measures at the May 1992 plenary. We will report on these in detail in the next INSCR.)

Sweden is a party to the UN Convention and a member of the CATF. Sweden has in place laws regulating some, but not all the chemicals in the UN Convention. It is now studying implementation of the CATF recommendations, and is presenting the CATF Final Report to the other Nordic countries.

Switzerland is a CATF member. The Swiss chemical regulatory system relies on a code of conduct jointly developed by industry, trade and government, customs regulations, the control of pharmaceutical and other chemical substances, and criminal law. The voluntary regulatory system aims at identifying suspicious transactions and alerting appropriate officials. Forty-six chemicals are subject to the system.

Lebanon has no effective chemical control procedures. It participated in the February 1992 special heroin chemical meeting in Malaysia.

Turkey has laws regulating the import and distribution of the principal essential chemicals used in heroin manufacture. The laws are enforced by the Turkish Customs and Police. Traffickers are able to illegally import the chemicals, however, by false labeling, altering manifests, or smuggling.

Countries Participating in Organizations With Chemical Control Models or Regulations

	CATF 1/	EC 3/	OAS 2/
Afghanistan			
Argentina	X		X
Australia	X		
Bahamas			X
Belgium	X	X	
Belize			X
Bolivia	X		X
Brazil	X		X
Bulgaria			
Burma			
Canada	X		X
China	X		
Colombia	X		X
Costa Rica			X
Cote d'Ivoire			
Cuba			
Cyprus			
Dominican Republic			X
Ecuador	X		X
Egypt			
El Salvador			X
France	X	X	
Germany	X	X	
Guatemala			X
Haiti			X
Honduras			X
Hong Kong			
Hungary	X		
India			
Indonesia			
Italy	X	X	
Jamaica			X
Japan	X		
Kenya			
Lebanon			
Laos			
Malaysia			
Mexico			X
Morocco			
Nepal			
The Netherlands	X	X	
Nicaragua			X
Nigeria			
Pakistan	X		

	CATF 1/	EC 3/	OAS 2/
Panama			X
Paraguay			X
Peru			X
Philippines			
Senegal			
Singapore			
Spain	X	X	
Sweden	X		
Switzerland	X		
Syria			
Thailand	X		
Turkey			
United Kingdom	X	X	
Venezuela			

1/ CATF Member

2/ European Economic Community Member

3/ Organization of American States Member

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FINANCIAL MECHANISMS AND MONEY LAUNDERING

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OVERVIEW

In 1991, the USG and its principal economic allies made important progress in their cooperative effort to curb and prevent drug money laundering. Their primary objective has been to harmonize national financial and banking legislation and policies in order to deny drug criminals a safe haven for their illicit drug profits.

Narcotics money laundering has evolved over the last three years into an important foreign policy as well as a financial management priority in many key financial center countries. These priorities are reflected in virtually wholesale changes to laws and regulations, as well as improved cooperation. These changes result from a growing international conviction that drug trafficking cannot be halted unless we deprive trafficking organizations of their proceeds, as well as from a shared sense of responsibility for halting the production, trafficking and consumption of drugs.

In 1991, US enforcement agencies launched a strategy that gave much higher priority to targetting bankers, lawyers, accountants and money managers, a major complement to the policy of targetting the Kingpins of Cocaine. US enforcement agencies joined Colombian National Police in raids in Bogota and Cali, which resulted in the arrests of several money managers and the capture of an invaluable trove of documents which provided critical new insights into the increasingly sophisticated methods for laundering drug proceeds.

REGIONAL AND COUNTRY OVERVIEW

Money laundering remains a key concern in every region of the world. In Latin America, Panama reemerged as a money laundering center; narcodollars flowed to Colombia; Argentina, Brazil, Colombia, Ecuador, Paraguay, Uruguay and Venezuela gained visibility as important centers for drug money operations; non-bank exchange houses in Mexico and the Southern Cone became important conduits for drug proceeds. Cooperation on investigations improved, but the continued expansion of the drug service industry in the Caribbean, especially in the Caymans and Aruba, remains a key concern.

Across the Pacific, there was the continued flow of funds through Hong Kong, the vulnerability of Singapore to outside penetration, the emerging potential of Bangkok as a money laundering center, and the potential expansion of the Asian illicit financial sector in various locales, including Taiwan and several island nations. There was evidence demonstrating the vulnerability of the new financial systems in Eastern Europe. Various African countries emerged as staging areas for money movements associated with the Asian heroin trade. And, notwithstanding their laws, regulations and international agreements, there was the continued exploitation of banks and non-bank systems in the US, UK, and other countries of Western Europe, which proved vulnerable to these new and more sophisticated schemes.

The developed nations have the technical and enforcement capability and, in most of these nations, the political will to revise their strategies to meet these new challenges. Witness Royal Flush and Kingpin which US agencies hope to apply to Asian trafficking organizations, complementing the CUBS stategy.

The 26 members of FATF, the 12 nations of the EC, and indeed the 58 states party to the UN Convention are, like the US, moving legislation through parliaments that will improve the collective capability of the more-developed governments to bring on-[ine an enhanced capability. By 1993, every EC nation must mandate the reporting of suspicious transactions, and criminalize money laundering. Between 1992 and 1995, all FATF members must be evaluated on performance, a certain reckoning that has already promoted change.

Most Third World and some developed nations, however, lack the training, skills, technical sophistication and sometimes the political will to cope with these more complex challenges. If new intelligence has emerged as a crucial priority for 1992, so has the ability and capacity to use it effectively.

East vs West: Crucial Differences & Similarities. There are critical differences but also important similarities between the money laundering techniques of Asian heroin trafficking organizations and Western cocaine cartels. While both groups generally control cultivation, refining and initial distribution of their products, Asian traffickers, unlike Colombians, generally do not attempt to control product or proceeds to the point of final sale. Asians tend to use brokers or middlemen whose couriers convey the drug from point to point until the drug reaches the street, creating many levels of profit, and many profiteers. For Asian traffickers, this process fragments connections. Cocaine cartels often control distribution down to the point of consumption, and, their need for accountability for both drugs and proceeds creates a much more visible and potentially more exploitable ladder of vertical control. Colombians use a variety of couriers, but they usually belong to one of the major cocaine organizations; Asians may belong to a triad or yakuza group, or a tribe in Southwest Asia, like the cocaine cartels, but family-dominated organizations are major factors in Asian heroin trafficking and money laundering.

Like cocaine proceeds, Asian heroin money is laundered through both the traditional banking system and informal or underground banking networks. In Latin America, East and Southwest Asia, these networks are increasingly used, not jsut as parallels to banking systems, but as the placement stage for cash they will eventually move through banks.

The "hawala" or "hundi" systems known to South Asia, Europe and the Middle East, most of which began as remittance systems for foreign workers, have evolved to become significant factors in these economies. Many "hawala" brokers are world traders with proven business connections and demonstrated abilities to move money in large amounts, quietly and quickly. The funding some brokers handle reportedly rivals commercial banking systems.

Traffickers in East and Southeast Asia exploit a similar remittance system. The "chit" system, or "chop shop" banking, originated in the Chiang dynasty to avoid robberies during cash transfers and as a method of avoiding repressive tax measures. It has varied little since those days when it was known as "Fei Chien" or "flying money." and today conveys the majority of proceeds derived from heroin trafficking in Southeast Asia, and is dominated by ethnic Chinese families.

Both systems offer ethnic communities and drug traffickers alike a nearly invisible means of moving hard currency across international borders, and both systems depend heavily on the mutual trust held by members. The systems frequently involve import-export businesses dealing in cash, gold and precious stones; commodities are often used in lieu of cash transfers. The cross-generational, familial connections and personal introductions which are the essence of the systems provide traffickers an added level of security.

At this more sophisticated level, an Asian businessman wanting to transact business abroad -- but not carry currency or monetary instruments (particularly from those Asian jurisdictions with tight exchange controls) will seek the services of a "hawala" banker or "chop shop." An agreement will be struck on commission and exchange rate, and the businessman will receive a receipt, sometimes just a mark, which will be recognized by the receiving banker in the foreign country. The mark may be a lion, but the mark tells what amount to pay the individual cashing the receipt. The corresponding value of these markers changes in an informal but predetermined manner. These brokers rely on telephones, facsimile messages, and wires. Codes obviate the need for the originator to move the marker physically; to avoid detection, the businessman can rely on his confederates in the foreign country. The broker may profit throughout the transfer process from currency fluctuations and interest. Money movements are difficult to detect, because no reporting mechanism or paper trail exists.

Efforts to control cocaine dollars have focused on preventing the placement of currency directly into banks; Latin American traffickers have consequently sought less suspicious ways of converting their funds. Latin money managers increasingly rely on the region's extensive network of foreign exchange houses or "casas de cambio" as a principal alternative to banks, especially for placement. Even unlicensed "cambios" tend to be more structured than their Asian counterparts, and the licensed houses operate more openly. Latin traffickers also employ an array of non-banking conversions, such as using contraband, or buying construction equipment. Gold trading, however, is common to traffickers both East and West.

Exchange houses play an important role in Latin America's economic system, and the modern establishments can do more for a client than simply take his dollars or other currencies in exchange for local currency or checks. An exchange can hold the money in its accounts

at local banks, or, use international contacts and/or local banks to wire clients' money to an overseas account, and carry out sophisticated instructions on money movements. This system has many advantages for the trafficker trying to avoid suspicions raised by depositing large sums of cash directly in banks. Exchange houses in Latin America are generally less subject to government supervision and control than banks. The high-volume, cash-oriented nature of an exchange house's business and the region's high demand for US currency all increase the likelihood that a customer holding dollars will be accepted without great scrutiny. Even if the bank tries to be vigilant in detecting suspicious transactions, it will have difficulty in detecting drug money buried among the bulk of the exchange house's business; frequently, the identify of the depositor has been disguised or unreported, making the deposits difficult if not impossible to detect. Once the wire moves, the money has been laundered.

The use of exchange houses by traffickers is believed to occur throughout Latin America, but their use by traffickers has been most widely reported in Mexico, especially along the US border, in the Southern Cone region of Argentina, Paraguay and Uruguay, and along Venezuela's border with Colombia. Latin officials increasingly recognize the need to extend anti-money laundering measures to exchange houses. However, even in countries where such laws apply equally, effectively monitoring the numerous exchange houses, which are frequently unregistered, is a difficult task.

Concerns. As 1991 ended, these concerns were paramount:

-- The high vulnerability of many financial systems whose need for capital or capital replenishment could undermine prudent banking practices and safeguards.

-- The concentration of economic power in the hands of Colombian traffickers who were capitalizing on the economic reforms of the Gaviria administration, power which could be translated into political influence in the months and years to come.

-- The use of more sophisticated money laundering techniques which seem designed at least in part to take advantage of more liberal economic regimes in several countries while simultaneously avoiding the pits and traps of national and international countermeasures.

-- The use of professional money laundering specialists who sell their high-quality services, contacts, experience and knowledge of money movements to any trafficker or other criminal willing to pay their lucrative fees.

-- The 26 national members of the Financial Action Task Force agreed to be evaluated on their comparative progress, and states party to the United Nations Convention rose to 58, while the 12 members of the European Community agreed on new standards for 1993, but, some of these governments and many others in developed, developing and under-developed countries alike, were either slow to react or have yet to adopt safeguards adequate to the threats they face.

- The increasing use of non-bank financial systems, unevenly regulated in the United States and most other parts of the world, especially as the placement stage for cash; these included a wide variety of exchange houses (the casas de cambio of Latin America, the Hui Kwan and "chop" houses of the Orient, and the "hundi" and "hawala" systems of Europe, South Asia and the Middle East).

- The non-bank systems also included insurers, mortgagors, trading companies, gold and precious metal dealers, check cashing services, express delivery services and other money movers of varying degrees of sophistication and capability.

- As our global network widened in response to traffickers' wide-ranging schemes, there was a conspicuous gap between the number of institutions and accounts these intensified investigations identified with money laundering and the authority of many governments to freeze, seize and forfeit drug and money laundering proceeds.

- The need for continuous fine-tuning of US bilateral and multilateral strategies, which define the responsibilities and objectives of the various US agencies on a country-by-country basis, and set specific goals for cooperating with the varying money laundering and money transit countries.

- The unchecked flow of funds into second and even third tier financial systems, including countries which had not been of prior concern to anti-money laundering efforts.

- The continued exploitation of US financial systems, at levels probably not approached by any other country.

- The continued reluctance of bankers in some countries to anti-money laundering regulations, despite the obvious weakness of many voluntary control systems and despite reports from government after government that adoption of such statutes had not caused declines in deposits or resulted in threats from traffickers.

Trends and Emerging Techniques. The Cali raids and other intelligence confirm that traffickers and their money managers are reacting to new laws and improved enforcement in the major financial center countries. They still import and export all types of commodities, but now they are employing more sophisticated techniques such as collateralizing loans and lines of credit, buying paid-up life insurance policies, underwriting development projects (real and phony), guaranteeing third party loans (including participation in programs designed to repatriate foreign-held funds to economically depressed areas), and even debt swaps.

Still other schemes involve stocks and other securities with bearer certificates and bearer bonds being current favorites. More extensive use is being made of front companies and shell corporations, but increasingly these have at least a patina of legitimacy and even real business purposes. Compounding the enforcement problem, they are also using more non-banks for placement, and exploring new areas and countries, while utilizing smaller accounts which they open and close more frequently. Regulators looked closely at the major wire transfer houses, but investigations confirmed that much of the drug money was wired through interbank transfers, and too frequently, the only record was an aggregate tally that gave no clues to beneficial owners.

Cash still travels, but money managers are perfecting schemes to circumvent reporting requirements. The dollar dominates, but francs, marks and pounds are in the play. US officials believe that Mexico is an increasingly important cash placement center. Paraguay, the Cayman Islands and the Bahamas are also important centers for cash movements, with Panama becoming more of an outward-bound transfer point. Traffickers no longer need Panamanian banks to make peso conversions, because they can now hold dollar accounts in Colombia.

The Cali raids heightened the growing concern in the US enforcement community about the flood of US and other currencies entering Colombia. Kingpin also confirmed that the Cali and Medellin cartels are using ex-bankers, stockbrokers, and other professional money managers.

In addition to currency movements, cartel financiers use contraband to launder drug proceeds, in Colombia and elsewhere in Latin America. A kind of double-impact is being achieved by investing in heavy-duty construction equipment, eagerly sought by developers in Colombia and other Latin countries. When the equipment is imported, traffickers have not only brought their funds home, they have leverage on the construction industry.

US and European banks with extensive branch networks in Latin America and other source/transit countries are considered especially vulnerable, because they are frequently less well regulated than home country parents.

Concerns are also high regarding a number of Third World countries, and redeveloping economies like Poland and Hungary, where large amounts of US currency have been identified, part of more than $280 billion in US currency in circulation.

There is also growing concern that some major banks which nominally take great care to prevent dirty money from entering their vaults are still benefitting from transfers of crime proceeds through subsidiaries, some of which may be under hidden or indirect ownership.

The spotlight is on drug money but professionals in the field are also concerned about a larger panorama of economic crime. Once, such schemes were associated with robber barons, and were considered crimes of the rich, the powerful, and the privileged. But, BCCI and other investigations provide ample evidence of money laundering by terrorists, gunrunners, and arms smugglers of all nations -- and by individuals and corporations who attempt to avoid restrictive foreign exchange laws and, in particular, to avoid taxation and shield assets from creditors.

In sum, the world of money laundering became increasingly more sophisticated in 1991. More than ever, policymakers, investigators and bankers are challenged to prevent drug money from being placed, and to find those who place it. Once the proceeds begin their journey through the labyrinths of nominee accounts, front companies, wire transfers etc., they are almost impossible to detect and difficult to seize. All in all, the enforcement efforts of the 1980s have created a more demanding profession -- for those who would launder money, and for those who would prevent it.

BCCI. The first lesson to be learned is that BCCI was not the first or last rogue bank. Even as investigators and lawmakers in a dozen or more countries probe the wreckage of BCCI, trying to measure the scope of its legal and illegal activities, there are surely others seeking to understand what mistakes were made, how BCCI got "caught," and how to reduce the risk of detection when perpetrating similar schemes.

The second lesson is that the majority of financial institutions know that, whatever short-term profit there may be in processing illicit money, the stability and reputation of the institution have a far greater value. Yet, the challenge is greater than just finding the few always ready to put profit above principle. Even the best-run institution can be penetrated without any connivance by its bankers. When such banks assure maximum secrecy on transactions, and ask few questions about their clients or sources of their funds, they literally become magnets for drug traffickers.

Third, the first line of defense against money laundering must be the financial institution, acting in partnership with law enforcement and supervisory authorities. When the financial institution does not do its job, missing, as was the case in BCCI, the rest of the partnership between law enforcement and regulatory authorities must be rock solid.

Fourth, where there is a criminal conspiracy to conceal money transactions, a deliberate will to circumvent reporting and other disclosure requirements, even the best money laundering countermeasure programs are vulnerable.

Fifth, the BCCI affair and other investigations demonstrate that we need controls specific to narcotics money laundering. BCCI figured in several narcotics money laundering schemes, but it is by no means the only bank through which drug proceeds have been laundered or processed. We do not know how many drug dollars may have been bottled up by the closing of BCCI branches around the world, on or after July 5, 1991, but we know enough about traffickers' global networks to be certain that narcotics money laundering did not stop.

A frequently asked question is whether we could prevent another BCCI from occurring if bank secrecy were abolished in its entirety? The answer is a qualified "not necessarily." Many of the traditional bank secrecy regimes have been repealed, or, laws have been amended requiring banks to disclose information on accounts, notwithstanding bank secrecy statutes, when that information is sought as part of an authorized criminal investigation into narcotics trafficking and/or money laundering. All governments which ratify the UN Convention or endorse the FATF recommendations agree to lift the veil of bank secrecy to permit such disclosures and investigations. Switzerland, for example, has nullified its Form B procedure wherein lawyers could hold trustee accounts without disclosing the names of beneficial owners. Singapore has barred use of numbered accounts. Moreover, numerous governments have adopted laws which protect bank employees who make such disclosures.

The issue of multinational regulatory cooperation in the context of BCCI will be high on the agenda at the Basle Committee this year. This committee will meet under the leadership of its new Chairman, Gerald Corrigan, President of the New York Federal Reserve Bank. The work of that group, to establish international regulatory standards for its fourteen financial center members (United States, Japan, and thirteen European nations), has taken on a new urgency. This will be an important forum for the exchange of information on the issue of prudential, safe and sound concerns for multinational banks.

What we can do, and are doing, is to understand the methods used to launder money, through BCCI, other banks and financial institutions as well, and continuously refine our countermeasures while expanding our networks of cooperation.

We have acted on the lessons learned from the BCCI experience, on how banking systems can be penetrated and manipulated, by working with enforcement agencies as well as policymakers at Justice and Treasury in formulating recommendations to the Financial Action Task Force and other multilateral organizations, as well as in our bilateral negotiations with other financial center countries on cooperative countermeasures.

What are we doing to prevent money laundering? The United States is cooperating bilaterally and through multilateral organizations to expand the global consensus on good banking practices to prevent narcotics money laundering.

In pursuit of the UN Convention and FATF recommendations, between 50 and 100 governments have adopted or are now considering provisions which criminalize money laundering, regulate the flow of currency and monetary instruments, mandate records of currency and other monetary instrument transactions, require declarations of beneficial owners of accounts, and compel disclosure of suspicious transactions. These changes, and a much improved attitude on cooperation between the financial and enforcement communities, as

well as on international cooperation, have strengthened many law enforcement agencies, especially in the industrialized and major financial center countries, and have helped ensure that the kinds of narcotics-related transactions attributed to BCCI and other banks do not recur.

Banks and bankers are compelled by due diligence conventions and other sanctions in numerous countries to accept responsibility for ensuring that their institutions take affirmative steps to prevent narcotics money laundering. We believe banking systems in many key countries are less vulnerable today, at least at the placement stage, thanks to the adoption of these new laws and regulations.

As the issue grows more complex, more change is needed. We believe this challenge is becoming more complex. As noted in the 1991 INCSR, we are detecting money laundering schemes involving a second and even third tier of countries which were not of major concern three years ago. Traffickers and their professional money managers are actively seeking countries and territories where there are central banks with minimal capabilities, financial systems with limited controls on foreign exchange, and restrictive bank secrecy practices. Even in countries like the US, UK, and Switzerland, where governments and banks are doing all the prescribed activities to prevent it, money laundering continues, a direct reflection of the increasing sophistication and changing tactics of the narcotics and other money launderers.

Thus, while law enforcement has improved in many countries, not nearly enough governments have the needed level of expertise and technical capability. While a large number of major banking systems are less vulnerable today to direct cash placements, recently detected patterns of money flows indicate that all too many systems remain vulnerable to placements through offshore branches, non-bank financial institutions and wire transfers. While the adoption of new laws and regulations is gratifying, the test is in the enforcement of these policies and laws, and the pace of adoption and implementation in too many countries is behind the curve of changing practices by professional money launderers.

What we need to do. Considerable attention has focused on such necessities as establishing international standards, on obtaining cooperative agreements concerning exchanges of information, establishing linkages for cooperative investigations, and on overcoming political resistance in various key countries to ensure such cooperation.

There are other needs emerging, which must also receive attention if we are to keep pace with the dynamics of money laundering in a high-tech world:

> Constant Monitoring of Money Laundering Patterns, Trends, Typologies. More sophisticated techniques, involving both bank and non-bank financial institutions, in a wider array of traditional and non-traditional financial center countries, have complicated identification, tracing and investigation. Information exchanges have been improving but critical gaps in know-how

must be closed in tandem with improved cooperation.

Analysis of Money Management Practices. We need improved information from more countries on what factors influence traffickers and/or money managers to use particular systems in specific countries, to keep reserves in cash vs other monetary instruments, to invest rather than "park".

Correlates with Other Money Laundering Practices. Traffickers seldom invent new methods or practices but use techniques perfected by corporations and individuals to shelter proceeds from taxation or to avoid strict currency controls.

Equating Economic Power with Political Clout. The increasing concentrations of wealth in Colombia, thanks in part to the relaxation of financial controls, is a concern, not only because of possible impacts on investments and real estate values and, on another plane, government integrity, but because these organizations [not limited to Colombia] have immense campaign purposes available to them and to candidates who overtly or covertly do their bidding.

The Trafficker as Entrepreneur. We need to explore the extent to which trafficking organizations, differentiated by regions, are penetrating legitimate businesses, financial and otherwise, using their vast resources, so as to gain control of these enterprises, and impacting economic decisions.

Trafficking/Money Laundering as a Function of Economics. We need to ask a whole series of questions about effects. To what extent do depressed economies weaken financial system enforcement, eg, when do bankers and other financial managers become more willing to take money from any source with fewer questions asked? Can we set up a scale of predictability using economic factors that will help identify weaknesses and points of vulnerability in the global network?

Regulation of Exchange Houses and Remittance Systems. There is ample evidence that the various "hundi, hawalla, and chop" remittance systems, so essential to economic life in the Middle East, South and East Asia, have been penetrated by drug traffickers, just like the "cambios" of Latin America, and non-bank institutions of all kinds in the Western financial community.

Continuously Evolving Strategy. For much of the 1980s, the US operated under a strategy which targetted a handful of key countries whose cooperation was essential and which were money laundering centers. We offered mutual legal assistance treaties, agreements on currency transaction reporting, and cooperation with our enforcement agencies. High priorities were given to cooperation with major financial center countries like the UK, Switzerland and Hong Kong.

At the policy and regulatory levels, organizations like the UN, FATF, EC, COE, OECD, CFATF and OAS help ensure the burden of responsibility for change is shared. But, outreach efforts must be

intensified to involve that second and even third tier of vulnerable countries. There is a high demand for training and technical assistance which the US cannot meet alone. A comprehensive UNDCP training program supported by experts from FATF governments could be invaluable.

The US, and its major partners, must do more to ensure that more quality and qualified players take the field. Targetting has improved, as US agencies have both intensified their own efforts and expanded the network of collaboration. But, there is a need for a continually evolving strategy that embraces all countries of significant interest.

BILATERAL ACTIVITIES

Enforcement: Operation Royal Flush: Implementing the Kingpin Strategy (Note: Kingpin is the code name for the national drug strategy for targetting the "kingpins" or leaders of drug organizations. Operation Royal Flush is the code name for the strategy's financial component.)

On November 22, 1991, Colombian authorities, assisted by the Drug Enforcement Administration, began a series of raids that marked a significant turning point in the war on drugs. In keeping with the higher priority assigned by Washington to anti-money laundering measures, agencies in the Multi-Agency Financial Intelligence Center (MAFIC includes DEA, Customs, FBI and IRS) and the Colombian National Police had begun targetting the money managers for the cocaine cartels, and assembling the intelligence which made these raids successful. Raids occurred in Bogota, Barranquilla and Cali and were specially focused on the Santa Cruz-Londono and Orejuela-Rodriguez organizations.

These raids resulted in the seizure of more than 300,000 documents, computers and computer disks which identify overseas accounts utilized by the Cali cartel. The data reveal not only the location of accounts, but provide invaluable insights into the manner and modes used by money managers to launder drug proceeds. These records are being examined at MAFIC (DEA is host agency) with the assistance of Treasury's FINCEN.

The Colombian National Police, who drew high praise from US officials for the effectiveness of the raids, subsequently targeted some 30 bank accounts in Bogota for investigation. Accounts were identified in Germany, Panama, the United Kingdom and the United States as receiving drug proceeds. One of the alleged money managers is believed to have laundered between $30 and $50 million dollars per month. In the seven days following the first raid, more than $13 million in cash, gold, and bank accounts were seized by the raid. Other raids followed.

The raids significantly affected the flow of cocaine dollars out of and into South America. In the months preceding the raids, US and Colombian enforcement officials were increasingly alarmed at the volume of dollars pouring into Colombia. The Cali cartel has been moving large amounts of cocaine-generated dollars back to Colombia, in cash and as high-priced contraband. While these dollar flows ostensibly resulted from liberalization of the once-strict foreign exchange rules, a change urged by the US, the change also opened an avenue for narcotraffickers and their money managers to bring dollars directly into Colombia, bypassing traditional repatriation routes like Panama.

DEA and Customs officials say the raids and arrests confirm that traffickers are using highly-experienced financial talent, expert in the movement of all types of money and monetary instruments. The techniques are so refined, and the use of layers of front companies which arouse no suspicions is so developed, that bankers have little or no reason to suspect the transactions and don't know they're being used. This aspect confirms for US agents the need to concentrate on the money men, but also focus on initial placement of drug proceeds, here and abroad. As proof of the viability of this strategy, US officials say money managers were having difficulty moving currencies out of the US in the weeks following the raids, but, they also note that the Cali organizations have already replaced the money managers targetted by these raids.

Royal Flush, Polar Cap and other investigations reveal that the Cali organizations are much more sophisticated about money management than the Medellin cartel. Recent information indicates, however, that Medellin traffickers are adopting Cali's measures and some of the same financial facilitators. The traditional route for laundered currencies was through Panama, mostly using Colombian-owned banks. Polar Cap V revealed that the vast majority of the funds generated in the US are now wire transferred directly to Colombia, presumably because peso exchanges in countries like Panama were no longer needed, given the change in Colombian law allowing dollar accounts. Panama is still used extensively but mostly as a pass-through; money is no longer "parked" there.

This evidence of how money moves exposes a weakness in the international network that the US and other governments are attempting to form through FATF and other multilateral channels. Too many governments do not have the legal authority and/or rapid investigative procedures in place to act in timely fashion. The investigative techniques can be acquired through training, but, until laws and regulations are changed, many governments can only block accounts, not seize and forfeit them. DEA agents noted that, within hours after the raids began, more than $3 million was moved from New York to London.

FINCEN. The Financial Crimes Enforcement Network (Fincen) continues to expand its support to federal, state and local as well as foreign enforcement agencies. Fincen analysts respond to requests

from the field and provide information for use in specific criminal and civil investigations. Reports are used to identify assets for seizure and forfeiture purposes and range in complexity from single-name searches to assisting the initiation of cases through a detailed analysis of major criminal organizations. Fincen also conducts strategic analysis, a predictive look at money laundering activity through analysis of intelligence on emerging trends, patterns, and issues relating to the proceeds of illicit activities. Fincen products include studies of international and domestic cash flows; country assessments that evaluate the potential for use by money launderers; a widely-disseminated money laundering publication; analysis of issues such as Jamaican organized crime; and the use of money transmitters in money laundering.

Reports on cash transactions or movements in excess of $10,000, required to be filed by financial institutions under the provision of the Bank Secrecy Act are a major source of linkage information. Information from these reports is available, with appropriate safeguards, for assisting investigations in the US and abroad.

International Training. US agencies provide a variety of training and technical assistance to assist regulatory, legislative, judicial, financial, and enforcement personnel of other governments. This assistance includes Federal Reserve Board training programs for central bankers; briefings here and abroad by senior officials of Treasury, State and Justice; executive observation programs in the US where foreign officials are given wide exposure to US agencies and their practices; formal training programs which focus in varying detail on money laundering counter-measures; and enforcement and other conferences where money laundering is a featured element. Topics include money laundering control policies, regulating bank and non-bank financial institutions, cooperative mechanisms, bank secrecy regimes and reporting of suspicious and large currency transactions, legal initiatives and judicial regulations, investigative techniques and mutual legal assistance. These sessions also provide practical demonstrations of how US financial institutions and enforcement agencies administer our laws, attempt to engage regulatory, legislative and enforcement personnel in working together on comprehensive approaches.

Several elements of the Departments of the Treasury, Justice and State and Federal Reserve Board participate, including the US Customs Service, Federal Bureau of Investigation, Drug Enforcement Administration. as well as departmental experts from State's Bureau of International Narcotics, Treasury's Office for Financial Enforcement, and Justice's offices dealing with international affairs, money laundering, asset forfeiture and seizure, and narcotics.

More than 100 governments participated in these programs during 1991. For example, DEA sponsored 33 training programs which

featured major and minor discussions of money laundering for governments from Africa, the Pacific Rim, East Asia, Western and Eastern Europe, the former Soviet Republics, the Middle East, Central and South America, and the Caribbean. Customs made money laundering presentations to significant audiences at several international meetings, including The Customs Cooperation Council Enforcement Committee meeting, the Pacific Basin Customs Enforcement Conference, and the Fourth European Regional Customs/Police Conference. Customs also conducted specialized training for numerous governments.

Asset Forfeiture and Seizure; Asset Sharing. The US has given a high priority to the interagency effort (State, Justice, Treasury) to secure increased cooperation from foreign governments on the identification, seizure, forfeiture, and sharing of assets derived from, or used to commit, drug trafficking or drug money laundering violations. US policy is to pursue the seizure and forfeiture of such assets in cooperation with foreign governments through bilateral and multilateral agreements.

The US also seeks to identify and overcome legal and practical obstacles which have hindered full cooperation. Many governments do not have the legal authority to seize assets, short of a criminal proceeding and conviction. Forfeiture is impossible in conviction-based systems when the defendant/owner is dead or a fugitive. Another obstacle is that relatively few governments, even in Europe where the Council of Europe has taken the initiative on an asset forfeiture convention, currently have the necessary domestic legislative authority to carry out their forfeiture obligations under relevant bilateral and multilateral treaties. Fortunately, more and more countries are enacting such legislation. Greater successes are anticipated once countries that have ratified the UN Convention have the domestic measures in place to enforce US forfeiture decrees or to initiate forfeiture proceedings based upon evidence furnished by the US.

The US can overcome inadequate forfeiture laws in cases where cooperating witnesses have signatory authority over financial accounts located in foreign countries. The cooperating individual can then repatriate the assets to the US for forfeiture under our laws, regardless of the ability of the host country to lend forfeiture assistance. Moreover, US lawyers continue to explore innovative solutions to acquire jurisdiction over forfeitable assets located outside the US for forfeiture. However, one Federal court has issued a decision refusing to forfeit civilly property located abroad on the ground that it lacked civil in rem jurisdiction over such property.

Fortunately, asset seizure and forfeiture legislation is being adopted, at a quickening pace. However, similar progress has not been made on asset sharing. We have encountered resistance by some governments to sharing such assets in whole (and even in part) with the US, even where our cooperation was instrumental in identifying and seizing the assets. In some instances, so-called laws of affectation

prohibit revenue collectors of all kinds from benefitting from their labors and require that all revenues not legislatively appropriated be returned to the general treasury, preventing such sharing.

The primary objective of US forfeiture laws, and the driving purpose behind efforts to get countries to adopt effective confiscation statutes, is to take the profits from drug crimes out of the hands of criminals, not to fill government coffers. Equitable sharing and channeling of funds to law enforcement are secondary objectives; the primary objective is to forfeit the funds. The US advocates both proportionality and reciprocity as general guidelines. We prefer that recovered assets be divided proportional to each government's contribution to the recovery, and that governments with whom we share assets reciprocate when we assist them.

MULTILATERAL ACTIVITIES. Financial crime knows no international boundaries; its managers are clever at exploiting differences in national systems and secrecy laws in every corner of the world. To attack the problem, it is fundamental that countries work together to assure that national boundaries are not impediments to detection and punishment of financial crimes. Success depends on achieving consistently high international standards. There can be no havens. There also must be regular and efficient communication between law enforcement and regulatory authorities, domestically and internationally.

In recent years, we have made enormous progress in securing international cooperation in anti-money laundering efforts, particularly in the harmonization of national legislation and policies. We hope that the non-drug aspects of BCCI and other non-drug crimes will inspire comparable measures directed at general regulatory matters relating to the safety and soundness of multinational financial institutions.

The Financial Action Task Force - Background. Our most important multilateral initiative has been the Financial Action Task Force, which was convened by the 1989 G-7 Economic Summit with a mandate to study measures to prevent the use of financial institutions by money launderers and to improve cooperation in money laundering cases. The FATF became a free standing organization in 1991, chartered by its members for at least three and possibly five more years.

FATF members include: United States, France, Italy, Germany, United Kingdom, Canada, Japan, Belgium, Netherlands, Luxembourg, Sweden, Denmark, Norway, Finland, Iceland, Ireland, Spain, Portugal, Greece, Austria, Switzerland, Turkey, Australia, New Zealand, Hong Kong, Singapore, the Commission of the European Communities, and the Gulf Cooperation Council.

FATF was born out of the recognition that money laundering is a complex international crime that cannot be addressed through governments acting alone using conventional law enforcement methods. FATF brings together legal and financial experts from finance, justice and foreign policy ministries, central banks, and law enforcement to assess problems, create common policies, and propose solutions.
FATF recommendations run the gamut of measures to be taken by policymakers, regulators, and enforcement authorities. The theme throughout these recommendations is that secrecy laws can pose no barrier to cooperation and there must be a three-way partnership between regulators, financial institutions and law enforcement, domestically and internationally.

1991-92 Actions. In 1991, delegates to FATF II agreed to continue as an independent organization for a period of five years, with a decision to review progress after three years and assess the continuing need for this specialized group.

The group committed to four tasks for FATF III and its successors: (1) evaluating members' progress in implementing FATF recommendations; (2) expanding the consensus to include non-member governments, working with international and regional organizations, or directly with these governments to assist in their adoption and implementation of the recommendations; (3) to make recommendations and evaluations of counter-measures while serving as a forum for considering developments in money laundering techniques domestically and worldwide, and for the exchange of information on enforcement techniques to combat money laundering; and (4) to facilitate cooperation between organizations concerned with combatting money laundering and between countries or territories.

The decision to continue was taken as part of a critical political commitment to implementing the recommendations. Members agreed to continue the self-evaluation process begun in FATF II to measure their progress and, in a decision that underscores the great credibility attached to this process, the Members agreed to initiate a process of mutual evaluation. The decision was that each Member would be evaluated on progress within three years of endorsing the recommendations. For the 15 original Members, evaluation would occur before or during 1993; for the new members of FATF II, evaluations would occur during 1994 (or later depending on their endorsement date).

These decisions, perhaps unique to bodies of this kind, assures the global community that the major financial center countries are truly determined to adopt and implement effective countermeasures against narcotics-related money laundering.

The self-evaluation process begun by FATF II in 1991 utilized a compliance grid which necessarily produced a subjective evaluation of progress on legal and financial matters, because Members were simultaneously drafting and adopting legislation to implement the UN Convention, FATF recommendations, and, in a majority of cases, the policy directive of the European Community. The anticipation is that continuously closer comparisons can be drawn as the legislative process ends and implementation begins.

Still, FATF II could note that the majority of the 15 original members had substantially implemented the FATF I recommendations on legal matters. Substantial progress has also been made on complying with the recommendations relative to the role of the financial system, and strengthening international cooperation, but some countries, especially among the new members, need to make a greater effort in these matters in 1992. FATF III will see a further refinement of the self-evaluation process, with an emphasis that goes beyond adoption of laws to implementation.

FATF II also proved a useful forum for discussing the wide range of issues not yet resolved into action recommendations, issues which are being further explored in 1992 by FATF III. For example, during FATF II, the legal issues group discussed possible refinements of existing recommendations, including those involving predicate crimes, corporate criminal liability, mutual legal assistance, and asset sharing. Similarly, the financial cooperation group heard special presentations by enforcement officials of money laundering typologies and investigative practices; the group took note of the increasing use of non-bank and non-traditional financial institutions to convert drug-related proceeds. FATF II noted the need to continue monitoring new money laundering practices, and called for further work on developing a common action plan with respect to non-bank financial institutions. These and other issues have been taken up by FATF III, which will offer a series of new and/or amended recommendations, as well as the findings from the evaluations, in its annual report in June.

FATF cooperates with numerous organizations, including the United Nations Drug Control Program, Council of Europe, Bank for International Settlements, Customs Cooperation Council, Interpol, OECD, EC, the Caribbean Financial Action Task Force, OAS and others. A high priority has been given to working with UNDCP on developing a global training and technical assistance program.

OAS Legal Experts Group. During 1991-92, a 13-nation group of experts has been preparing model legislation on narcotics-related money laundering for the Inter-American Drug Abuse Control Commission (CICAD) of the Organization of American States. A set of articles are now available which are designed to implement the 1988 UN Convention, including criminalization of money laundering; regulation of large currency transactions and reporting by financial institutions; asset forfeiture; protection of rights of innocent third parties; and international cooperation. The nearly 20 articles are compatible with Latin American civil and common law legal systems and provide legal models ready for enactment individually or as part of a comprehensive program.

Caribbean Financial Action Task Force. At the Drug Money Laundering Conference in Aruba in June 1990, Jamaica agreed to host two additional meetings at which delegates from the Caribbean, and selected Central and South American governments would

develop a plan of common action against drug money laundering. This plan would propose strategies for implementing the 61 recommendations proposed at the 1990 conference, and would be predicated upon each participant's political endorsements of those recommendations.

Jamaica has invited more than a score of Caribbean, Central and South American governments to send appropriate ministers and other officials to a technical workshop in May 1992 which will draft the action plan, based upon a two-part assessment sponsored by OAS. Agreement that this assessment be conducted was one of the principal outcomes of the Aruba conference.

The OAS study includes an assessment of money laundering situations; adequacy of countermeasures; changes if any needed in policies, laws or regulations to implement the recommendations; and technical assistance or training needed to meet these objectives. The Self Evaluation Questionnaire and Mutual Evaluation Questionnaire build upon the questionnaires developed by FATF, whose 40 recommendations are included among the 61; a supplemental questionnaire is keyed directly to the 21 Caribbean-specific recommendations developed at Aruba. The project is being carried out in part as an extension activity of FATF, with financial support and technical assistance from the US, UK, France, Canada and the Netherlands.

At the workshop, officials from financial, judicial, interior, and foreign ministries, as well as central banks, will (1) assess the money laundering situation in the region, drawing on the study as well as on national experts; (2) update reports on actions taken by participating governments since June 1990; (3) review the 61 action recommendations to ensure they align properly with current money laundering situations; (4) review progress of the assessment study, including probable conclusions to be drawn in the final report; and (5) develop an action plan and organize a policymakers meeting to consider it.

European Community. In June 1991, the European Community issued its policy directive on money laundering, which commits the 12 members to adopt implementing legislation by January 1, 1993. Governments are obliged to criminalize money laundering; to require banks and other financial institutions to identify customers and beneficial owners of accounts and transactions; to require due diligence by credit and financial institutions; and to report suspicious transactions. The EC encourages cooperation between financial institutions and enforcements agencies. Like the UN Convention which it follows, the policy directive gives members some discretion in implementation. However, the EC Commission and Council of Ministers have agreed to review the money laundering situation before 1993 to consider what else needs to be done by the Community to make its campaign fully effective.

At the Maastrich summit, EC heads of state re-emphasized the directive and instructed the Trevi ministers and the Commission to take such measures as are needed to establish a European Police Office (EuroPol). EuroPol, as conceived and principally advocated by Germany, would organize the exchange of information on narcotic drugs. The first step will be formation of a Community-wide drug intelligence unit.

The Vienna Convention. The United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances established new standards for money laundering countermeasures. Under its terms, parties are obliged to enact laws criminalizing drug money laundering and to modify bank secrecy laws so that they no longer serve as barriers to criminal investigations. The Convention also requires States party to enact domestic laws providing for the confiscation (freezing, seizure and forfeiture) of all forms of property used in or derived from illicit trafficking in narcotic or psychotropic substances. The Convention was adopted by a plenipotentiary conference in Vienna in December 1988, and came into force on November 11, 1990, following the ratification or accession by the minimum 20 governments. The United States presented its instruments of ratification in February 1990, the sixth government to do so.

As of January 28, 1992, the number of governments (58) and international organizations (1) that have ratified or acceded to the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances has risen during 1991 from 34 to 59. An additional 46 governments signed the Convention during the period December 1988 to December 1989, but have not yet deposited instruments of ratification.

Council of Europe Convention. The Convention on Laundering, Search, Seizure and Confiscation of Proceeds of Crime was adopted by the Committee of Ministers of the Council of Europe on September 8, 1990. It was opened for signature in Strasbourg, France, on November 10, 1990. The Convention has not come into force because no government has ratified it. The US participated in the elaboration of the Convention and has been invited to sign, but has not yet decided whether to become party to this convention. The Convention, which was three years in development, is intended to compliment the United Nations Convention. However, unlike the UN Convention, the COE Convention transcends narcotics and provides for cooperation on all proceeds-generating crimes.

Governments Participating in Narcotics-Related Money Laundering Control Activities

Government	FATF	OECD	CLEUR	EC	UN	CFATF	OAS	G10	MLAT	CATF
Canada	yes	yes	yes		yes	yes	yes	yes	yes	yes
United States	yes	yes	yes		yes	yes	yes	yes		yes
Anguilla						yes			2	
Antigua						yes				
Aruba						yes			1	
Bahamas					yes	yes			yes	
Barbados						yes	x			
Bermuda						yes			2	
BVI						yes			2	
Cayman Is.						yes				
Cuba					x					
Dominica										
Dominican Rep.						yes	x			
El Salvador										
Grenada					yes		x			
Haiti										
Jamaica					x	yes	yes		••	
Montserrat						yes			2	
N. Antilles						yes			1	
St. Lucia						yes	x			
St. Vincent /G						yes	x			
Suriname					x					
Trinidad/T					x	yes	x			
Turks & Caicos						yes			2	
Belize										
Costa Rica					yes	yes	yes			
Guatemala					yes		x			
Honduras					yes		x			
Mexico					yes	yes	yes		yes	
Nicaragua					yes		x			
Panama					x	yes			••	
Argentina					x	yes			••	yes
Bolivia					yes	x				yes
Brazil					yes	yes				yes
Chile					yes	yes				
Colombia					x	yes	yes		•	yes
Ecuador					yes		x			yes
Paraguay					yes		x			
Peru					yes		yes			yes
Uruguay					x		yes		••	
Venezuela					yes	yes	yes			
Austria	yes	yes	yes		x					
Belgium	yes	yes	yes	yes	x			yes	•	yes
Denmark	yes	yes	yes	yes	yes					
Finland	yes	yes	yes		x					
France	yes	yes	yes	yes	yes	yes		yes		yes
Germany	yes	yes	yes	yes	x			yes		yes
Greece	yes	yes	yes	yes	yes					
Iceland	yes	yes	yes		x					
Ireland	yes	yes	yes	yes	x					
Italy	yes	yes	yes	yes	yes			yes	yes	yes

Governments Participating in Narcotics-Related Money Laundering Control Activities

Government	FATF	OECD	CLEUR	EC	UN	CFATF	OAS	G10	MLAT	CATF
Luxembourg	yes	yes	yes	yes	x			yes		
Netherlands	yes	yes	yes	yes	x	yes		yes	yes	yes
Norway	yes	yes	yes		x					
Portugal	yes	yes	yes	yes	yes					
Spain	yes	yes	yes	yes	yes				••	yes
Sweden	yes	yes	yes	yes	yes				yes	yes
Switzerland	yes	yes	yes		x			yes	yes	yes
Turkey	yes	yes	yes		x				yes	
United Kingdom	yes	yes	yes	yes	yes	yes		yes	yes	yes
Andorra										
Channel Is.										
Gibraltar										
Holy See										
Liechtenstein			x		x					
Madeira/Azores										
Malta			x							
Monaco			x		yes					
Poland					x					
Hungary					x					yes
Czechoslovakia					yes					
Bulgaria					x					
Romania										
Yugoslavia					yes					
Russia (USSR)					yes					
Ukraine					yes					
Byelorussia					yes					
[GDR]					yes					
Algeria					x					
Bahrain	GCC				yes					
Cyprus			yes		yes					
Egypt					yes					
Iran					x					
Iraq										
Iraq					yes					
Israel					yes					
Jordan					x					
Kuwait	GCC									
Lebanon										
Morocco									•	
Oman	GCC				yes					
Qatar	GCC				yes					
Saudi Arabia	GCC				yes					
Syria					yes					
UAE	GCC				yes					
Yemen					x					
Afghanistan					yes					
Bangladesh					yes					
Bhutan					yes					
Brunei					x					
India					yes					yes
Maldives					x					
Nepal					yes					

Governments Participating in Narcotics-Related Money Laundering Control Activities

Government	FATF	OECD	CLEUR	EC	UN	CFATF	OAS	G10	MLAT	CATF
Pakistan					yes					yes
Sri Lanka					yes					
Australia	yes	yes	yes		x					yes
Burma					yes					
China					yes					yes
Hong Kong	yes									
Indonesia					x					
Japan	yes	yes			x			yes		yes
Korea										
Malaysia					x					
Nauru										
New Zealand	yes	yes	yes		x					
Philippines					x					
Singapore	yes									
Taiwan									•	
Thailand										
Vanuatu										
Cameroon					yes					
Cote d'Ivoire					yes					
Gabon					x					
Ghana					yes					
Guinea					yes					
Kenya										
Madagascar					yes					
Mauritania					x					
Mauritius					x					
Nigeria					yes				••	
Senegal					yes					
Sierra Leone					x					
South Africa										
Sudan					x					
Tanzania					x					
Togo					yes					
Tunisia					yes					
Uganda					yes					
Zaire					x					
Zambia					x					
EC	yes				yes	yes				
GCC	yes									
UNDCP	obs									
OECD	obs	yes								
OAS						yes	yes			
INTERPOL		obs								
BIS		obs								
CCC		obs								

1. **FATF**: There are 26 national governments and two regional organizations which are members of the Financial Action Task Force, marked by "yes." Other organizations participate as observers or have sponsored meetings in behalf of FATF objectives.

2. **OECD**: These governments are members of the Organization for Economic Cooperation and Development, headquartered in Paris.

3. **CLEUR**: The Convention on Laundering, Search, Seizure and Confiscation of Proceeds of Crime was adopted by the Committee of Ministers of the Council of Europe on September 8, 1990. Governments shown are those which participated in the drafting of this convention. Other Council of Europe members are indicated by an (x).

4. **EC**: These governments are members of the European Economic Community, and are subject to community policy on money laundering.

5. **UN**: The 58 Governments listed as "yes" have ratified or acceded to the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The EC has also ratified. The German Democratic Republic ratified before unification with the Federal Republic. The 46 Governments listed as "x" have signed but have not ratified or acceded to the Convention.

6. **CFATF**: A Caribbean Financial Action Task Force has been organized which also includes some Central and South American governments. The US, UK, Canada, Netherlands and France and the FATF also participate and are underwriting its costs.

7. **OAS**: The Organization of American States has developed an experts group which is drafting model regulations to implement the Vienna Convention clauses on money laundering. Governments listed are those which are participating in the experts group. Other OAS members are shown by an (x).

8. **G10**: These governments (actually 12) comprise the Basle Committee where they are represented by Central Bankers.

9. List of Mutual Legal Assistance Treaties shows countries for which MLATS are in force (yes), ratified by the US but not yet in force (*), or signed but not yet ratified or in force (**). The MLAT with the Netherlands includes Aruba and the Netherlands Antilles. The MLAT with the United Kingdom is in force for the Cayman Islands, Anguilla, Montserrat, British Virgin Islands and the Turks and Caicos Islands.

10. **Organizations include**: Organization for Economic Cooperation and Development; United Nations Drug Control Program; Commission of the European Communities; Bank of International Settlements; Customs Cooperation Council; Gulf Cooperation Council; Organization of American States; and Interpol. The African Development Bank and the South East Asia Central Bankers Association (SEACEN) sponsored conferences for FATF.

References and Definitions:

UNDCP	United Nations Drug Control Program
DEA	US Drug Enforcement Administration
FATF	Financial Action Task Force
CFATF	Caribbean Financial Action Task Force
BIS	Bank of International Settlements
OECD	Organization for Economic Cooperation and Development
CTR	Currency Transaction Record
CMIR	Currency and Monetary Instrument Report
SEACEN	South East Asia Central Bankers Association
IRS	Internal Revenue Service
FinCEN	Financial Crimes Enforcement Network

$	The dollar sign refers to US dollars, unless otherwise noted
Smurfing	Multiple transactions of less than $10,000 each to avoid US Bank Secrecy Act reporting requirements

COUNTRY SUMMARIES
1992 INCSR Money Laundering Chapter

COMPARATIVE SIGNIFICANCE OF COUNTRIES

There is no agreed-on classification for determining whether a country is a "major money laundering center." Experts in the field agree the definition in PL 100-690 is too narrow: those governments which knowingly tolerate or facilitate narcotics money laundering. One government may be significant to US interests because of the assistance it provides in a cooperative effort to stop a significant volume of drug dollars through its financial system, another because it does little to stop an important flow of narcodollars.

The United Kingdom provides a case in point. London is one of the world's most important financial centers. A large volume of drug money reportedly passes through its system; the UK also has one of the most laudable enforcement programs and is the principal US partner in many money laundering investigations. The Channel Islands are not an important financial center, in terms of volume of licit transactions, but it is believed that a significant amount of drug-related business occurs there because of its tight bank secrecy laws.

Thus, significance is a function of many factors: country size; volume of legitimate financial transactions (for which there are several measures); volume of money laundering or other illicit transactions (as indicated by cases, seizures, arrests, informant intelligence and other factors); and such contributing factors as stringency of anti-money laundering laws, priority given to investigations, laxity of foreign exchange controls, and all the other factors shown on the "traffickers shopping list" earlier in this chapter.

In the interests of brevity, the charts show which governments have ratified or signed the UN Convention, and their affiliations with various regional and multilateral organizations. Similarly, the reader will understand that we don't report every instance of good cooperation with our investigators, and do not report in every instance that legislation was passed without significant opposition from bankers or that deposits did not decline. It's noteworthy if a government has an important opportunity and fails to take it, or if banking industry opposition blocks needed legislation. At the same time, there is some disagreement on what constitutes a full card, so we may note that a government has adopted a due diligence convention, but may not note its absence. In fact, so few governments have such conventions, civil procedures for asset forfeiture that the exceptions are noteworthy.

CARIBBEAN

ANTIGUA AND BARBUDA continue to be seen by US officials as "sleepers," islands which have experienced corruption and smuggling and have the potential to become important financial

centers which could be exploited by money launderers. Some banks in Antigua are known to assist drug money laundering, but banking laws make it difficult to access records. One drug investigation has targeted more than $7 million on deposit with a locally chartered bank.

ARUBA AND NETHERLANDS ANTILLES, with Holland, form the Government of the Kingdom of the Netherlands. Aruba and the Netherlands Antilles are included in the US-Netherlands MLAT; US officials can gain access through the treaty to bank, financial and corporate records for use in drug-related investigations and prosecutions. Neither government will adopt the provisions of the UN Convention until it is ratified by the Netherlands.

Aruba, granted "status aparte" in 1986, is considered by US officials to be a key player in the Caribbean drug service industry. Bank secrecy laws, corporate confidentiality and liberal banking regulations have made Aruba a prime center for money laundering. Money laundering is believed to occur widely, particularly in the Free Zone and in the small off-shore banking sector, but may not be all drug-related. Aruba is close to South American cocaine producing countries, particularly Colombia, and DEA considers Aruba one of the potential drug trafficking areas in the Caribbean. The Colon Free Zone eliminates trade barriers and tariffs between members; it also allows for greater ease of contraband shipments, a well-established Aruban smuggling trade which US officials believe is also related to money laundering. Tax-exempt Aruban Exempt Corporations (AECs), whose owners' identities are kept strictly confidential, make ideal shell companies. Banks and businesses provide two key money laundering services: placing currency into the banking system and converting US dollars to Colombian pesos. The latter business could decline, as did Panama's, given the change in Colombian law permitting dollar accounts. US officials believe narcotics proceeds went into Aruban bank accounts following the US invasion of Panama.

There is clearly an interest by Prime Minister Oduber and elements of his government in curbing money laundering. Aruban authorities, with the Hague's endorsement, have cooperated with US investigations, including the attempted seizure of assets resulting from narcotics trafficking. These authorities have offered to expand their cooperation, an offer endorsed by The Hague.

Aruba has cooperated with US investigations and has aggressively pursued unilateral seizure of monetary assets. Aruba has passed anti-money laundering and asset forfeiture legislation, which cannot become effective until the Antilles enacts similar laws. Aruban authorities froze drug assets in a recent money laundering case, pursuant to an MLAT request from the US, but the Aruban courts invalidated the action because of the lack of a commensurate freezing authority in the Netherlands Antilles.

In January 1991, banks in Aruba and Curacao signed the principles adopted by the Committee on Banking Regulations and Supervisory Practices, including the know-your-customer policy advocated by international banking groups. Aruban banks may voluntarily record and maintain records of transactions involving $10,000 or more in US or foreign currency equivalents.

The Netherlands Antilles consists of Curacao, Bonaire, St. Maarten and St. Eustatius. Drug money laundering is not a major concern to the government in Curacao, but St. Maarten's significant potential is a source of concern to The Hague. In 1990, the GON assigned 20 military police officers to St. Maarten to increase law enforcement capability against drug traffickers, and also assigned two more prosecutors (total of three). The Netherlands has also detached government and central bank officials to provide training and technical assistance.

Curacao, promoting itself as a regional distribution center with special access to the European Community, could increase the transhipment and distribution of South American goods as well as stimulating of financial and banking activities. Such favorable positioning, however, could also make the Antilles an attractive market for the movement of narcodollars and the transhipment of drugs. The government is sensitive to such possibilities and has so far avoided the problems besetting other Caribbean governments.

THE BAHAMAS has enacted several countermeasures to drug money laundering, and seems intent on purging the islands' reputation for money laundering to achieve PM Pindling's goal of creating a major financial center. US officials believe drug money laundering continues, and could expand if traffickers exploit the system more aggressively. But, these officials do not see the levels of financial activity common to several major money laundering countries. The GCOB's position is that The Bahamas is "virtually free of illicit drug profits."

The Bahamas status as an important financial center results partly from strict bank secrecy laws which attracted some 400 international banks. Cash transactions flourished in the 1980's, but the GCOB has worked to curtail cash money laundering.
The Bahamas was the first to ratify the UN Convention, and has signed MLATs with the US, UK, and Canada. The Bahamas has cooperated with US agencies requesting bank records under the MLAT and on trafficking and money laundering investigations.

Nevertheless, US officials have concerns regarding implementation of these treaties and enforcement of banking regulations. Recording large currency transactions, required in many jurisdictions, is voluntary. The absence of mandatory reporting requirements, the lack of a system to investigate money laundering, and the dearth of sanctions continue to make The Bahamas vulnerable to money laundering.

A 1983 Association of International Banks and Trust Companies memorandum remains the primary regulation for money laundering controls. While not having the force of law, the AIBT memorandum said in part, "the (central bank) feels that cash transactions in excess of $100,000 should be defined as 'large cash deposits' and that caution should be exercised before accepting them."

Central Bank Governors have traditionally taken a strong stand against questionable banks, forcing them to police themselves under threat of losing their licenses to operate. BCCI was delayed in getting its charter to do business in The Bahamas. A former central bank governor has said he could not "get satisfactory answers" from BCCI officials. The current governor continued strong supervision of BCCI and downgraded its license in February 1991 to a certificate degree (permitting it to liquidate assets only).

Money laundering per se is not a crime, but a 1987 act permits the forfeiture of the financial proceeds of drug trafficking. The necessity of proving a connection to drug trafficking, including a drug conviction, however, makes the application of this act difficult against professional money launderers.

The International Business Companies Act of 1990, which permits bearer shares and simplified the use of nominees, could increase opportunities for money laundering. Knowing beneficial owners of accounts is of particular concern in efforts to identify and trace narcotics proceeds in the "layering" process of money laundering, ie, tracing proceeds after initial "placement" into a financial system. More than 4,300 offshore companies have been established since the Act became law.

Asset forfeiture is predicated on conviction for a (criminal) drug offense. The court determines whether the defendant has benefited from drug trafficking, the amount to be recovered in his case, and then orders the payment/reward. Under the law, any property owned by the convicted defendant can be confiscated (minus "obligations having priority" such as mortgages owned).

BARBADOS is not a major financial center in the region, but the Government actively encourages the development of off-shore financial services. The significant growth in that sector in the past year has not been accompanied by banking legislation or monitoring mechanisms, and Barbados is increasingly vulnerable to money laundering activity. Lack of official monitoring makes it difficult to assess the level of money laundering that may occur. Moreover, US officials believe casino gambling may account for more money laundering than the banking system (which may be also true for other Southern Caribbean islands).

GOB officials report that most conforming legislation on narcotics offenses is in place and hope Barbados will ratify the UN Convention in early 1992. Money laundering is illegal under the Drug Abuse Prevention and Control Act of 1990. There are strict controls on amounts of money which can be converted into foreign currency and taken out of the country. However, the reporting of other large or unusual transactions to the central bank is not strictly legislated. Thus, commercial and off-shore banks must "police themselves," with an understanding that they will report deposits over $5,000. While this system has apparently worked relatively well with larger banks, reporting from smaller institutions is far less reliable.

Current drug law improves on former legislation by allowing for broader asset seizure and forfeiture, albeit only after conviction. Major assets have been seized in only a handful of cases, despite the broader authority. More aggressive enforcement is hampered by lack of sophisticated intelligence and effective case building against major traffickers.

BRITISH VIRGIN ISLANDS has only six major banks but drug money launderers have used their services to move large amounts of drug proceeds. However, US officials have been able to obtain vital bank documents and have drug monies frozen. Recently, the BVI assisted in transferring more than $3 million to the US for forfeiture here and sharing with BVI authorities.

CAYMAN ISLANDS assets have grown to $360 billion during the last decade, making it one of the world's largest financial centers. This growth results primarily from the confidentiality provided by the Confidential Relationships Law of 1976. Over that same span, the Cayman Islands have been used by drug traffickers taking advantage of that client confidentiality and extensive offshore banking facilities. A traditional tax haven, the islands' tax-free status has attracted 18,000 corporations and 500 banks, outnumbering the 14,000 residents in Georgetown, the capital. Forty-six of the world's fifty most important international banks operate in the Caymans.

US investigators continue to find criminals laundering and/or concealing money in Cayman banks. Narcotics money laundering is a criminal offense. The 1986 MLAT helps US prosecutors obtain cooperation on criminal investigations (excluding tax evasion unrelated to other crimes) and Cayman banks have been quite cooperative in producing records in a prompt and confidential manner for US investigations, according to US Customs.

Cayman authorities have provided invaluable assistance in pursuing proceeds from criminal activity in the US. In the past two years, Justice has made almost four dozen requests for bank records to assist criminal investigations. The majority of these requests have included money laundering offenses. In nine months, $2 million was returned to the US in two investigations after Cayman authorities provided financial records. In another case, authorities opened their own investigation order to freeze a bank account containing in excess of $1 million. In one instance, a Cayman bank took the initiative to freeze monies based on its own internal policy until Cayman authorities obtained a judicial order.

The Preservation of Confidential Relations Act assures a greater degree of financial secrecy than virtually any other jurisdiction, and is enforced by jail sentences. However, Cayman Island bankers are required to report information about any transaction they suspect or know to be drug-related to the Royal Cayman Islands police. Banks can no longer accept cash deposits in excess of $25,000 without referral by a local attorney who vouches for the client. US Customs says that this requirement, along with knowledge that the MLAT allows for cooperation with the US on freezing and seizing assets, has made large cash deposits a rarity in the Caymans. However, Customs says

money continues to be laundered through wire transfers to corporate accounts set up expressly for that purpose, as well as through the transportation of checks, drafts, and other negotiable instruments by private couriers and/or express companies such as Federal Express.

A parallel concern to money laundering is the use of the Caymans to establish holding companies, including banking companies such as BCCI. Masihur Rahman, BCCI's former chief financial officer, testified before the US Senate in 1991 that the Caymans appealed to BCCI because "they had a small regulatory agency and provided more flexibility" than other financial centers.

The UK has been working with the governments of its other Caribbean dependencies, ANGUILLA, MONTSERRAT (where the UK has severely reduced financial sector activity to prevent questionable practices of the past), and TURKS AND CAICOS, to assist them in adopting the FATF recommendations and other legislation to conform to the UN Convention.

CUBA exercises absolute control over its financial system making money laundering impractical if not impossible as long as high-level officials do not permit it..

DOMINICA is not a major financial center in the region and has no off-shore financial services or banking sector. Lack of official monitoring makes it difficult to assess the level of money laundering that occurs in Dominica, but indications from discussions with local law enforcement and banking officials are that it is not a significant problem.

DOMINICAN REPUBLIC is not a major regional financial center or money laundering center. Foreign currency exchanges and currency exports are strictly controlled, limiting the appeal of the commercial banking system to traffickers. Significant amounts of currency enter and leave the Republic as remittances, including more than $800 million by the million Dominicans living in the US; it is unknown how much might be narcotics-related. Some of the remittances are believed to be drug proceeds, given the heavy involvement of Dominicans in New York's "crack cocaine" market.

HAITI serves a greater role as a transhipment point for narcotics than as a money laundering center. What laundering occurs is primarily through money changers operating on the black market, although the lack of currency regulations and money laundering laws, and an open parallel currency exchange, make Haiti vulnerable to this type of activity.

JAMAICA is a major narcotics source country which cooperates closely with the US, but it is not an important financial center in the Caribbean, nor is it considered a narcotic money laundering center. However, given its political importance, the actions of Jamaica to prevent money laundering, along with the Bahamas and Trinidad and Tobago, can influence other island governments in the Caribbean. Jamaica is drafting asset forfeiture legislation but has not yet developed anti-money laundering legislation, pending the outcome of the CFATF and OAS initiatives.

ST. LUCIA is not a major financial center although the Government is showing interest in attracting off-shore facilities. The Ministry of Finance reports that the bulk of suspected money laundering activity involves falsified importation documents, used to prove a need for large amounts of foreign exchange. The government has reportedly finished work on amendments that, if passed, will bring St. Lucia's narcotics laws into compliance with the 1988 UN Convention.

In February, two Trinidadians were detained and charged in a case involving the setting up of a front company in St. Lucia and illegally transferring approximately $7 million to various companies in the US. The Trinidadians were convicted and each fined approximately $150,000. Four Syrians residing permanently in St. Lucia were arrested in November for attempting to breach exchange control laws. The case is still being investigated, but there is a strong belief that the four were involved in narcotics trafficking.

ST VINCENT is not a major financial center but, like Barbados and St. Lucia, its Government actively encourages development of off-shore banks, companies, and financial services and has similarly enjoyed significant growth in that sector in the past year. St. Vincent is considered equally vulnerable, given its lack of money laundering controls, and there is a possibility St. Vincent's off-shore institutions are used to transfer funds gained from narcotics trafficking and other illegal activities to banks in the US and elsewhere.

TRINIDAD AND TOBAGO are not financial centers nor are the islands significant from a money laundering perspective.

CENTRAL AMERICA AND MEXICO

Mexico and Panama are the region's dominant financial centers, and both are important hubs for the drug money trade. Although exploited by cocaine and other traffickers as transit routes, the region's smaller nations have had little involvement in money laundering, nor do their financial systems have much appeal to drug money managers. Most of these governments lack the resources, experience, and legal authority to deal with money laundering.

BELIZE has enacted money laundering laws which provided for conspiracy convictions and asset forfeiture, and its banking regulations require filing currency transaction reports. The banking system shows little potential for money laundering. Initial concerns about possible money laundering raised by passage of the Foreign Companies Act in 1990 have not been matched by increases in commercial banking activity.

COSTA RICA made progress in 1991 toward curbing its modest drug money laundering problem by passing legislation requiring banks to cooperate in narcotics-related investigations. A 1989 law requires depositors to disclose details of any transactions of more than $10,000.

EL SALVADOR passed a law in February 1991 that mandates stiff penalties for drug trafficking and money laundering. The volume of money laundering is not known, but unconfirmed rumors suggest that money laundering through the large number of licensed exchange houses is widespread. The exchanges process an estimated $500 million annually in remittances, and also conduct large hard currency transactions with foreign banking institutions, but there are no estimates of how much of this activity may be drug-related.

GUATEMALA took an encouraging asset seizure action in 1991 when its courts, acting on a letter rogatory from the US, froze bank accounts of alleged trafficker Carlos Orantes-Arriaga. However, despite polls showing three-fourths of the populace share President Jorge Serrano's narcotics concerns, the Guatemalan Congress did not act on anti-narcotics legislation submitted in 1991 (it will be resubmitted). Guatemala is not a major money laundering center; Guatemalans' determination want to retain tight bank secrecy laws are a major barrier to passing money laundering legislation. Authorities do not have access to bank records, foreign tax returns or company financial statements.

HONDURAS has a foreign exchange shortage, strict control of commercial banks' foreign currency transactions, and minimal international banking affiliations and investment opportunities. Despite tight bank secrecy laws, these factors make Honduras a less than ideal location for money laundering operations. Currently, commercial banks must turn over 40 percent of their dollar receipts to the Central Bank, meaning that only 60 percent of a narco-dollar deposit could be reclaimed. Moreover, dollar purchases over $2,500 require BCH approval and are handled on a first-come, first-served basis. There is anecdotal evidence that drug revenues have been used for recent real estate purchases. However, Honduras is an extremely poor country, and investors confront bureaucratic delays, infrastructure problems and modest earnings potentials.

MEXICO is an important cash transactions center and currency transit point for the US-Mexican narcotics trade which utilizes the profusion of currency exchange houses along the US/Mexico border to launder large amounts of narcodollars. Mexico has made impressive strides in the past year in efforts to prosecute money launderers.

Money laundering is a fiscal rather than a criminal violation. The GOM plans to present a legislative package to the Assembly in 1992 changing money laundering to a criminal act subject to criminal penalties and asset forfeiture. The proposed legislation includes currency transaction reporting requirements similar to those in the US. Currently, banks are not required to maintain records of large transactions. There are no controls on the amount of money that can be brought into or transferred out of the country, and no limit on, or reporting of, currency transactions in money exchange houses. These "casas de cambio" are essentially unregulated, and are the primary money launderers. It is believed that much of the laundered money is used to buy small businesses, real estate or other personal property where the identity of the beneficial owner can be concealed.

The US-Mexico Mutual Legal Assistance Treaty entered into force on May 3, 1991. The US has made a number of requests under terms of the treaty involving the freezing and forfeiture of drug-related assets. Also, in June 1991, Mexico signed an extradition treaty with the US which will facilitate prosecution of drug traffickers. US and GOM officials worked together on a major money laundering investigation aimed at US and Mexican violators. US Customs sponsored a money laundering control seminar at the Mexican foreign ministry in November for 70 Mexican Treasury and PGR officials. The PGR expressed interest in participating in money laundering investigations with the FBI and requested additional training assistance.

The GOM continued to seize property in narcotics cases during FY 1991, including approximately $90 million in assets from investigations assisted by DEA. Mexican law requires any forfeited assets to pass to its Treasury, rather than law enforcement agencies as in the US.

NICARAGUA is not believed to have a money laundering problem. Until very recently, there were no private banks (now there are four) and no international banks. Investment, both foreign and domestic, has been extremely limited. There are few businesses or services that are productive enough to be used to launder money. Given the state of the Nicaraguan economy, the entry of any significant amount of cash, particularly US dollars, would have a noticeable effect.

Still, Nicaraguan officials are concerned about the possibility of future money laundering now that some private banks are operating and others have obtained licenses. They fear capital-starved businesses will turn to drug money. Government concern is based in part on the weakness of its narcotics law, which does not address money laundering or contain controls like asset seizure.

PANAMA has been one of the major narcotics money laundering centers and, while substantial improvement has been made by a government committed to curbing the practice, its role as a financial and commerical crossroads, its dollar economy, and international banking facilities continue to be attractive to drug money launderers. Money laundering remains Panama's most serious narcotics control problem and US narcotics officials believe it worsened in 1991.

US experts believe the peak volumes of money laundering occurred in the mid-1980s during the military dictatorship. Economic activity including banking (and presumably money laundering through banks) declined sharply during the crisis in the last months of Manuel Noriega's regime, and for several months following "Operation Just Cause" in December 1989. US analysts believe the volume of money laundering increased in 1990 to the level which existed immediately prior to "Just Cause" but was still below the peak levels of the mid-1980s. However, recent reports indicate that money laundering in Panama is now rising beyond the 1990 level, especially the early part of the year when banking activity was stalled. Panama began a

strong economic recovery with the return of democracy after the invasion. Volume for any period cannot be empirically estimated; instead, operational assumptions have been based on observation of activities, informant reports, and transaction information. These reports indicate Panama is regaining status as an offshore tax haven; thus some of the increase in banking activity may be unrelated to drug trafficking.

Panama's financial institutions are used, wittingly or unwittingly, for drug money laundering for a number of reasons, some pre-dating the invasion. These include: the existence in Panama of over 130 banks and numerous trading companies; a dollar economy; a system which permits anonymous ownership of corporations and other "bearer" transactions; the Colon Free Zone, the Hemisphere's largest free trade zone; a justice system and economy that are still recovering from the effects of the military dictatorship; and close proximity to the cocaine-producing fields of South America.

Despite limited resources and trained personnel to enforce its drug act and money laundering decrees, Panama has made significant progress against narcotics money laundering during the past year. A Mutual Legal Assistance Agreement (MLAT) was signed in April, an MLAT was ratified by the Panamanian Assembly in July at a special session called by President Endara for that purpose. The US Senate has not yet consented to ratification. The MLAT will allow the US, inter alia, greater access to information concerning large currency transactions and other bank documents. It will expedite the cumbersome process now needed to obtain such records, and permit the execution of search and seizure warrants in each country at the request of the other.

In January 1991, the GOP expanded its cash transactions recording requirements to include "near cash" transactions (travelers' checks, bank checks, or money orders payable to bearers). While regarding Decree 41 as a positive step, US officials question whether banks are advising the National Banking Commission of suspicious transactions. In April, the CNB and the Attorney General's office signed a memorandum of understanding to facilitate prosecution of money laundering cases. Although much remains to be done to fully implement it, this agreement is a positive step. The CNB has recently increased its monitoring of transactions to detect and deter money launderers. Adequate regulatory oversight will be needed to follow through on this commitment. The US will help train GOP officials to improve its oversight capability.

Panama has frozen funds in over 350 accounts during the past two years. US officials identified these accounts as being used for money laundering through Polar Cap and C-Chase and through evidence uncovered in the Rodriguez Gacha and Noriega cases. Legal means to forfeit funds in these accounts without bringing criminal charges has not yet been perfected.

The first prosecution of a money laundering case in Panama (against a Medellin cartel launderer in absentia) is scheduled for trial in early 1992.

SOUTH AMERICA

Three phenomena describe the current situation. Argentina, Colombia and Venezuela, once of minor importance to money launderers, have become significant money laundering centers, while Brazil, Ecuador, Paraguay and Uruguay are increasingly popular with money launderers. Second, with recent changes in currency and exchange controls, vast amounts of drug proceeds, especially US dollars, are being deposited into financial institutions by direct wire transfers from the US. This dollar flow illustrates the continuing need for governments to improve and expand laws giving enforcement authorities access to bank account information, and to develop regulatory schemes for exchange houses. Third, money managers have changed their approaches to infiltrating the international banking system.

ARGENTINA has become a significant transhipment point for cocaine bound for Europe and the US, and in a change of status noted by the International Narcotics Control Board, is now considered a haven for money launderers. The economy is cash-based, record-keeping is problematic. The flow of narcodollars can not be estimated with precision. However, several US and Spanish investigations have provided evidence that money laundering is occurring on a significant scale with an increasing volume. Traffickers are attracted to the Argentine economy because it is large enough to absorb cash flows that would stand out in smaller financial markets. While improved economic conditions and the availability of dollar accounts may make Argentina's banks more attractive to money launderers than in the past, most drug money probably moves as cash, or enters the country as cash and is deposited at exchange houses. These "casas de cambio," which are not regulated like banks, have been implicated in laundering narcotics proceeds. The money moves quickly to banks out of the country, frequently to Uruguay. Argentine real estate and business are also believed to attract narcodollars.

President Menem issued a decree creating a Joint Control Commission to study money laundering methods and propose measures to detect and penalize money launderers. Argentine, as well as DEA and FBI investigations, indicate that money laundering has increased despite Menem's efforts. President Menem's sister-in-law and former appointments secretary, Amira Yoma, was indicted last year for her alleged role in a money laundering scheme involving numerous officials in Latin America, North America and Europe. The former head of Argentine Customs was charged and arrested in a separate case involving the illegal importation of millions of dollars of contraband, narcodollars and possibly narcotics. In 1991, a Argentine investigators, supported by DEA, dismantled a large drug organization and seized $5 million in assets.

The Association of Private Argentine Banks has issued non-binding recommendations to prevent drug money laundering.

BOLIVIA is the world's second largest producer of coca after Peru, and the second largest producer of refined cocaine after Colombia. Although cocaine dollars enter the economy, Bolivia is not considered a significant money laundering center. A current investigation indicates that certain financial service companies, which are unregistered, are bringing in millions of dollars through a pyramid scheme, and are believed to be involved in drug money laundering.

Bolivia has no restrictions on currency movements into or out of the country, but banks and exchange houses must keep records of transactions, and transactions involving more than $20,000 must be reported to supervisory authorities. Drug proceeds can be seized, but only if a drug trafficking case can be made against the launderer.

A new banking law, "Ley de Entidades Financieras," was proposed to the Congress in August 1991, which would put "financeras" (loan companies) under the control of the Superintendent of Banks and could make money laundering through these "financeras" more difficult. The proposed law would provide controls for financial institutions not subject to current banking law; the Superintendency would regulate all banks, mutual funds, savings and loan associations, credit cooperative, exchange houses, trusts and other intermediaries. But, the new law would not change bank secrecy provisions of current law which make it difficult to use information for arrest and prosecution. Exceptions can be obtained by judicial order.

BRAZIL is a staging area for cocaine destined for Europe and the US, but recent investigations reveal the growing use of Brazil, the largest economy in Latin America and the most sophisticated financial sector in the region, as a financial link between Colombian cocaine cartels and major European and US cocaine distributors.

Illicit narcotics money is transported through a variety of methods, most commonly wire transfers of funds and the movement of bulk cash via private aircraft and couriers aboard commercial airline flights. One of the most commonly used methods of money laundering is through money exchanges and brokerage houses. There are indications that proceeds from narcotics transactions are also being laundered through businesses and through purchases of gold, real estate and land. Gold mined in the Brazilian Amazon has also reportedly been smuggled as a money laundering technique. Estimates of drug-related money passing between the US, Europe, and Brazil in the last four years are in the hundreds of millions of dollars. The movement of assets between the US and Brazil appears to be centered in Rio de Janeiro and Sao Paulo.

The difficulty of estimating the magnitude of money laundering is compounded by restrictions on foreign currency transactions, which result in massive amounts of cash being physically transported out of the country. These restrictions have helped create a vast, semi-legal parallel market where cruzieros are exchanged for dollars. Many wealth Brazilians hold accounts overseas, often in the US or Paraguay, creating another unregulated, unofficial flow.

Money laundering is prosecuted as a violation of the tax code, not under narcotics legislation. Money laundering cases are hindered by strict bank secrecy laws which limit investigations to those where the police have obtained a court warrant. However, pending legislation includes provisions to punish persons, including bankers, involved in laundering narcotics assets. A proposal to amend the constitution would loosen bank secrecy laws. A new proposal on international cooperation is designed to incorporate provisions of the UN Convention.

There are several major ongoing investigations. Three Brazilians were arrested in Italy last June as they were depositing approximately one million Swiss francs into a bank account, payment for 70 kilos of cocaine delivered to Rotterdam. Another Brazilian who organized the drug shipment, was arrested in August as he attempted to depart Italy for Brazil. DEA Drug Task Force and Interpol investigations with various European host country counterparts indicate that the defendant has been involved in cocaine trafficking and money laundering for several years. Law enforcement officers have determined that over $1 billion were transferred to several bank accounts in the US. Another investigation involves the laundering of money through Brazil for the Medellin and Cali cartels, as well as for Italian organized crime elements.

CHILE does not have anti-money laundering laws and US officials believe the absence of viable regulations on transfers of currency into, out of, or within Chile has led to an increased problem with money laundering, especially in northern Chile. Significant amounts of money, cocaine paste and precursor chemicals reportedly pass through Arica, a town on the border with Peru, and Iquique, a free port on the north coast. The National Consul for Control of Narcotics has been established to formulate a drug strategy. The government is considering a system to control movements of currency and monetary instruments in excess of $10,000, into or out of Chile.

COLOMBIA cooperated strongly with US agencies on Operation Royal Flush, part of a determined effort by the Gaviria Administration to work with US officials to reduce money laundering and other narcotics crimes. However, new problems emerged for enforcement agencies in both countries when, in an effort the US encouraged to modernize the Colombian economy, banking practices were liberalized to allow Colombians to repatriate foreign-held funds and to hold dollar accounts. DEA believes that there has been a massive influx of narcodollars as well as legitimate funds, as much as $1.5 billion in the nine months ending September 1991. More, agents say Polar Cap V investigations reveal quite vividly that vast amounts of narcodollars generated in the US are being wired directly into Colombian bank accounts, usually in corporate names.

Money laundering is not a crime, per se, nor are there laws prohibiting Colombians from receiving, transferring and concealing proceeds or property derived from trafficking. DEA says "smurfing" seems to be the preferred method for depositing drug funds in US bank accounts;

the proceeds are wired to shell corporation accounts in Europe, or converted to monetary instruments, and then transported to Colombia. Legitimate businesses, as well as front companies and gold and precious metal dealers (some owned by traffickers), are also used to move funds to the US, Europe and Latin America, as are courier services (the "Mail of Witches").

One US investigation revealed that money was wired from Chicago to accounts at Swiss banks in London, then wired back to Swiss banks in New York, where the money was used to buy Caterpillar-brand heavy equipment, which was exported to Colombia and sold to Colombian construction companies.

The Gaviria administration is working with US officials on three efforts to assist tracking of narcotics dollars. GOC tax authorities are consulting with IRS on enabling legislation and operational procedures; formal negotiations should begin the first quarter of 1992. The Minister of Finance has tasked the Superintendent of Banking to formulate regulations to centralize financial information and permit its exchange with foreign governments. The DAS is establishing a financial investigation task force.

Colombia instituted a requirement in February that all financial institutions licensed to deal in foreign exchange keep cash transaction records (CTR's) on amounts over $10,000. CTR's must be retained for five years. To date, only one bank has a system to consolidate data from all its branches. Most but not all banks seem willing to establish procedures which will help prevent involvement in money laundering.

ECUADOR is becoming an important money laundering center. US officials believe that money laundering is increasing but has not yet permeated the financial system to the same extent as in Colombia, or even Peru and Bolivia. US officials believe some Colombian and Peruvian traffickers are laundering narcodollars and other monies through Ecuador. In April, Camiaria C&FC.A, the largest exchange house, and two of its principals, were charged with participating in a $30 million drug money laundering scheme. One unofficial report was published, estimating that $400 million in drug money was laundered through Ecuadoran banks in 1989. Officially-reported exports of cash and monetary instruments totalled more than $5 million per year for the last three years, while imports ranged from $35 million to $197 million, suggesting significant currency movement. If the $400 million figure is accurate, these other data could suggest traffickers are structuring transactions to avoid reporting requirements.

Ecuador's long tradition of unrestricted currency exchange and bank secrecy, coupled with a plethora of exchange houses, some unregulated and situated in towns near the borders with Colombia and Peru, provides an inviting target for money laundering. It is difficult to separate drug money laundering from transactions related to long-established contraband trade and remittances from Ecuadorians working in the US.

The GOE is attempting to come to grips with the problem. Money laundering is illegal under the new narcotics law, and a number of other laws have been passed to limit the money laundering threat, including a requirement that banks record large currency transactions (in excess of $2000), which must be supplied to the central authorities upon request. Institutions are not required to report suspicious transactions; however, many financial institutions, at their own initiative, have imposed controls as tight or tighter than those of US institutions. There are no viable controls on bulk shipments of bank currency into or out of the country, but such controls are being considered. While reporting requirements apply to all formal financial institutions, including exchange houses, there is a small number of informal exchange houses, typically in border towns, which are still not effectively under government control.

Colombians are active investors in Ecuador, particularly in real estate, farms, and construction but also in industry (including companies which import pre-cursor chemicals) and the financial sector. While some of the investment is no doubt from the proceeds of narcotrafficking, much of it is from the legitimate earnings of Colombians who are seeking a stable, safe environment in which to invest their assets.

PARAGUAY is becoming a popular haven for drug money launderers. Cash from sales of cocaine and marijuana is reportedly laundered through banks, "financieras," and exchange houses in Asuncion, Ciudad del Este and Pedro Juan Caballero. The "informal" or contraband sector of the economy is well-established and flourishes due to lax oversight. Contraband trade unrelated to narcotics introduces large sums of money into the financial system and complicates efforts to identify narcotics money laundering. Wealthy Brazilians and Argentines use Asuncion as a tax haven and banking alternative to Montevideo.

Paraguay ratified the UN Convention but has not enacted legislation to bring the government into compliance. Money laundering is not illegal. There are no controls on the amount of money which can be brought into or taken out of the country. The Central Bank has indicated a willingness to cooperate in investigations and in 1991 issued regulations requiring banks and other financial institutions to report all transactions of $10,000 or more. The government lacks the expertise to monitor the results of this reporting requirement and has requested US assistance.

The 1989 anti-narcotics law authorized for seizure of assets related to narcotics offenses, including bank accounts, transportation assets, and land used to grow illicit crops. The GOP has not used its relatively new asset forfeiture and seizure legislation aggressively. Seized assets are held by the judiciary pending resolution of a case, which can drag on for years in the cumbersome and notoriously slow and backlogged judicial system. The national Anti-Narcotics Secretariat (SENAD) plans to review the 1989 law and recommend modifications.

PERU is not an important international financial center or tax haven, but US currency seizure data and other information confirm that a significant amount of US currency is being laundered through Peru's parallel market.

Peruvian drug traffickers are believed to keep much of their proceeds outside Peru. Funds repatriated by Peruvian or Colombian trafficking organizations for purchasing or processing cocaine for export, consumption by criminals or investment in Peru are often converted locally or laundered. Dollars are normally exchanged for Peruvian currency by currency exchange houses or street vendors. Cocaine traffickers are said not to trust the stability of the Peruvian financial system; moreover, until mid-1990, Peru's links with the international financial system were adversely affected by fiscal and exchange rate policies of the GOP.

President Fujimori has emphasized re-integration of Peru into the international financial system, including restoring free convertability of Peruvian currency against the dollar. The April 1991 law put control of financial institutions into the hands of the free market and permitted operations by foreign banks. The new banking law also implemented controls to curb and monitor the growth of non-traditional banking and financial institutions. However, while officials express a strong willingness to combat money laundering, and promise to investigate efforts to launder drug proceeds, legislation directed at narcotics money laundering has not passed. Money laundering is not a criminal offense, and there have been no significant arrests or prosecutions for money laundering.

Peruvian law protects bank secrecy and permits anonymous accounts. Measures that would restrain use of the formal financial system to move funds internationally are weak or nonexistent; since restoration of convertability of the Peruvian sol against the dollar, no legal restrictions have existed on the amount of Peruvian or foreign currency which may be brought into or out of Peru. Drug proceeds in large amounts have been observed moving from the US through Peru to other financial centers.

In October 1991, Peru signed a currency transaction recording agreement with the US (negotiated under Section 4702 of the 1988 Anti-Drug Act) which requires banks to maintain records of cash transactions in excess of $10,000 and provides for exchanges of information between the Superintendent of Banking and the US Treasury in connection with the investigation or prosecution of narcotics money laundering. The Superintendent has issued regulations requiring financial institutions to maintain the records.

SURINAME is not an important financial center, and the non-convertible nature of its currency and the small size of its financial market would nominally militate against drug traffickers using its commercial banks and other financial institutions to launder money. However, the Justice Minister has stated that laundering of

drug money is a serious problem which has contributed to the explosive growth of the black market in foreign currency. The Justice Minister pledged to introduce legislation which would make money laundering more difficult and subject to strong penalties. Such legislation has yet to be submitted to the National Assembly. Money laundering is a crime under executive "economic crime" decrees, which are unspecific and essentially unenforceable. Banks are not required to maintain records of large currency transactions; most commercial banks do so on a voluntary basis, but without any great degree of consistency. Currency brought into Suriname must be reported to the government, but it is generally assumed that such controls are widely evaded.

URUGUAY is an important financial center offering banking customers strong bank secrecy laws, few restrictions on dollar accounts, no foreign exchange controls, and no taxes on income or deposits. US law enforcement identified large amounts of narcotics money moving through Uruguayan financial institutions and exchange houses during Operation C-Chase and Polar Cap (approximately $32 million through two accounts in Uruguay and about $33 million in wire transfers highlighted the two investigations). Banking authorities believe that, after the 1989 US invasion of Panama, drug traffickers used Montevideo as a financial center to transfer narcodollars to the Bahamas, Madrid, Bogota and Switzerland.

US and many Uruguayan officials believe that narcotics traffickers continue to launder money through the Uruguayan banks and exchange houses, although there is no conclusive evidence that the problem is widespread or systemic.

The financial system has a reputation as a regional tax haven. Most international deposits come from Brazil and Argentina, and these transactions could mask money laundering activity. Relatively few dollar deposits are converted into Uruguayan pesos or lent out locally. Observers suspect that money laundering is centered in the currency exchange houses, which have fewer record keeping requirements than banks. Other money laundering schemes involve the bullion trade; although not a producer, Uruguay is a major exporter of gold.

All exchange houses must be licensed with the central bank, but, it was once possible for exchange houses to mask their ownership by issuing stock in the form of "bearer shares." As of May 1991, however, the central bank stopped licensing exchange houses that were held with bearer shares, which should make it difficult to buy exchange houses secretly.

Legal experts consider current money laundering laws to be ambiguous. Money laundering in and of itself is not a crime; launderers can be convicted only if it is established that they acted as accessories to a crime such as narcotics trafficking. Officials plan to introduce stronger legislation during the 1992 parliamentary session.

Under regulations established in June, 1991, banks must keep records of all transactions in excess of $10,000, and must require identification of all clients participating in such transactions. Banks are not required to report this data regularly to any central authority, although the central bank has access to all bank records. Law enforcement officials can obtain a judicial order giving them access to specific records only if they demonstrate probable cause. There are no "due diligence" or "banker negligence" laws but bankers can be held liable for violating bank secrecy laws. Regulations on record-keeping and customer identification also apply to exchange house transactions, and to transactions in precious metals, although these regulations are difficult to enforce. There are no limits on the amount of currency that may be taken in or out of the country.

On May 6, 1991, Uruguay and the US signed an MLAT, now awaiting ratification in both countries. A Uruguayan appeals court has ruled that money laundering is not an extraditable offense under the existing extradition treaty. Uruguayan and US officials are discussing whether an interpretive protocol to the treaty is needed to resolve this issue.

VENEZUELA has strong appeal to traffickers and money launderers: on the border with Colombia, it is a transhipment point for cocaine, has a weak judicial system, a banking system with established international connections but few controls, and a sophisticated business environment. US officials believe that traffickers have begun using the Venezuelan financial system more extensively to shelter or transfer drug proceeds.

There are no substantive data to profile the patterns and extent of drug money. However, a few cases involving requests for information (under the US/Venezuelan bilateral money laundering agreement and between law enforcement agencies) indicate traffickers are using the sophisticated Venezuelan financial apparatus. Moreover, recent large capital inflows into the Venezuelan stock market have led to speculation that some funds may be drug money.

Venezuela signed the first currency transaction recording agreement with the US. Although money laundering is not a crime, Venezuela instituted a requirement in January that all financial institutions licensed to deal in foreign exchange keep cash transaction reports (CTR) on amounts over $10,000. Some institutions are providing CTR's on amounts as low as $2000. An IRS-sponsored financial investigations course was held in November; the US will provide more advanced training to promote bilateral cooperation and to facilitate establishment of a centralized data bank for CTRs.

EAST ASIA AND PACIFIC

Several trends are worth noting. Asian financial industries are maturing and adjusting to take part in and manage what has become one of the world's more vigorous financial sectors. Most changes are compelled by the need to remain competitive; for some, new directions are being taken to comply with international conventions and agreements; in a few, banking and other scandals are driving the changes.

Money laundering countermeasures are being adopted by governments large and small. Japan has enacted new banking laws criminalizing money laundering. Singapore is following suit and has introduced asset forfeiture provisions. Hong Kong is focusing strongly on criminal elements. Australia's strong currency transaction controls are being augmented by new regulations governing wire transfers. These four and New Zealand are members of FATF and are implementing its 40 recommendations. Thailand has new asset forfeiture legislation. Korea's decision to open its financial markets in 1992 will shake up its currently unregulated finance companies. A number of governments have begun complying with provisions of the UN Convention.

From a narcotics perspective, the increased regulation of banking systems, and especially new counter-measures, are welcome. The surge in Asian opium and heroin production is creating vast new wealth attracting traffickers from all points on the globe. But, there are gaps in coverage and no one has found a workable method to regulate non-bank financial institutions, especially the underground ethnic Chinese family banking systems.

This is a critical gap, because the trend is for drug proceeds to be well layered into Asian financial systems (money handlers, exchange houses, front companies ranging from jewelry shops to major import/export firms, private banks, etc) before such funds reach a commercial bank. Indeed, given the increasingly sophisticated methods being used by money managers retained by drug traffickers, some bankers and financial experts question whether funds finally deposited in banks can even be identified as drug proceeds.

The third trend of note is the spread of drug proceeds activity. Rodriguez Gacha had accounts in Hong Kong and Japan, and Asian and Western traffickers worked accounts in most of the region's major financial centers. But, US officials have indications of even more money traffic in many parts of the region. In every sector, the concern is about the vulnerability of the smaller banks. There are increasing reports of drug proceeds processed by Taiwanese concerns. Meanwhile, Tinian has legalized gambling, and governments in the Marianas and Carolines are liberalizing their banking structures to become haven banking centers, which could make all of them vulnerable. There are other reports suggesting a drug service industry is emerging in the Pacific, not unlike the drug service industry in the Caribbean.

Not least, there is continuing concern about the flood of heroin from East Asia, and heightened concern about the increased seizures of cocaine, indicating expansion of that traffic in the region.

AUSTRALIA has money-laundering legislation similar to US legislation, covering domestic and international transactions in the opinion of US officials, the banking system has no obvious weaknesses that would attract drug traffickers. Building on its success with its cash transactions reporting system, adopted in 1988 and

modeled after US law, Australia is now considering legislation to record international wire transfers, and require reporting of international transfers by cash dealers and other non-bank institutions. Asset forfeiture is carried out under the 1987 proceeds of crime act. The 1901 customs act is civil-based and also allows for the confiscation of illegal goods and conveyances.

Australia and the US have historically had distinctly different drug trafficking problems, but are being drawn into closer cooperation. Several major Chinese heroin smuggling organizations have been supplying the US and Australian markets simultaneously, often using the same couriers and controllers. Australia has also been used as a money transfer point for traffickers moving US profits back to Hong Kong. Recently, a Brazilian organization in Sydney was detected wiring money to a business in Newark, and also wiring what is believed to be drug money to a notorious drug money launderer in New York, money which was then wired to Belgium and Switzerland. This organization was allegedly structuring or "smurfing" its wire transmittals in Australia to avoid reporting requirements. Also, some US trafficking groups are now shipping cocaine to Australia, although the bulk comes directly to Australia from South America.

Given these circumstances, US officials believe there is a need for an interchange of drug-related financial information; a Mutual Legal Assistance Treaty is being negotiated now for this exchange of information and also to facilitate mutual seizure of drug-related assets. Australia will ratify the UN Convention when the various states approve implementing legislation.

BURMA (Myanmar), where the free market exchange rate is 17 times the official rate, experiences widespread money laundering associated with its huge opium and heroin trade, but most profits from Burma's drug trade are held outside the country. Traffickers and smugglers do not use the government banking system, relying instead on the extensive Chinese money exchange network. Gold and US dollars are in constant demand because traffickers lack confidence in the Burmese currency, which has undergone three demonetizations since independence. Asset seizure under certain circumstances is built into Burma's basic narcotics law of 1974, reducing the necessity for separate legislation. There is little or no domestic capacity for carrying out financial investigations, however, and GOB enforcement efforts are hindered by the absence of a basic conspiracy law.

CHINA rigorously enforces its criminal law, including confiscation of property and asset seizure and punishment. There are no known legal technicalities drug traffickers could use to shield assets. The Chinese criminal code allows confiscation of part or all of the property owned by a person convicted of a crime. Laws relating to "crimes undermining the socialist economic order" list confiscation of property as one of the punishments for smuggling. The 1990 drug law lists confiscation of property as a penalty for trafficking in drugs.

HONG KONG, the world's fourth largest financial center (after New York, London and Tokyo), has taken aggressive steps to curb drug money laundering, but still dominates the East Asian drug financial markets. Hong Kong is used by drug traffickers to launder their proceeds, primarily from heroin sales, and is also a money transfer point. Money laundering occurs in both banking and non-bank financial system.

The UK ratified the UN Convention in June, 1991, with applicability extending to Hong Kong as soon as the territory has the necessary complying legislation in place.

Hong Kong has proposed an organized crime bill, somewhat similar to the US "RICO" (Racketeer Influenced and Corrupt Organizations) statute which will make the laundering of the proceeds of organized crime an offense. Under current law, money laundering is a criminal offense only in relation to drug trafficking proceeds. Although money laundering is not a criminal offense per se, the Hong Kong authorities can and do arrest people for aiding and abetting the movement of drug proceeds (activities which are considered as money laundering in the US).

Financial institutions are not required to maintain records of large currency transactions and there are no currency controls. Nevertheless, banks, restricted license banks and deposit-taking companies are required to notify the government if they know or have reasonable grounds to believe that suspicious activities are taking place. The Association of Banks and Deposit-Taking Companies has issued guidelines to assist members in identifying such transactions. The Commissioner of Banking has also issued guidelines, modelled closely on Basle Committee principles. Hong Kong is considering applying these guidelines to the informal sector, e.g., insurance and securities sector and the silver and gold exchanges. Individuals and institutions making disclosures are protected from civil liabilities.

Hong Kong's drug trafficking (recovery of proceeds) ordinance came into effect in 1989. This law empowers the government to trace, freeze and confiscate proceeds of persons convicted of drug trafficking offenses. A wide variety of assets can be seized, including bank accounts, cash, jewelry, cars, real estate as well as legitimate businesses used as fronts. More than $40 million in drug-related assets have been frozen under this ordinance.

In January 1991, the US-Hong Kong drug designation agreement came into effect which provides for the enforcement, on a reciprocal basis, of confiscation orders against drug assets. Over $45 million in such assets have been restrained in Hong Kong and the US under this agreement. The Hong Kong Government's position is that assets should remain where they are seized, unless otherwise agreed to in a particular case. This position on asset sharing and other money laundering issues were discussed during talks with Treasury, State and Justice officials in Hong Kong last July.

Local banking groups object to any requirement to maintain records of and/or report large currency transactions, but the financial community cooperates with enforcement efforts to trace funds.

INDONESIA is reportedly considering legislation covering money laundering, conspiracy and asset seizure. Indonesia is not a significant money laundering country, although its open currency exchange regime would normally make this a possibility. Current bank secrecy law complicates police efforts to investigate narcotics crimes. If police suspect that assets related to drugs have been deposited in a bank, they must first obtain a court warrant and then obtain permission from the Ministry of Finance, a time-consuming procedure. The police can freeze bank accounts while in the process of obtaining permission, but money can be moved out of the country relatively quickly under the open currency system. The 1976 narcotics law, which allows for seizure and forfeiture of narcotics-related assets, could also be used in money laundering cases, but has a high burden of proof and does not appear to be vigorously enforced.

JAPAN has adopted new legislation on money laundering, signalling a much higher level of official interest in this problem by public officials of the world's third largest banking center. Until the Diet passed financial control laws on October 2, 1991, there were virtually no legal tools available to Japanese narcotic enforcement officers to seize funds acquired through drug trafficking. In fact, the bank secrecy statutes made it extremely difficult for law enforcement agencies even to examine drug traffickers' financial institution records. As a consequence, there have been very few investigations which can support or deny the belief that a great deal of money laundering takes place. When Japanese law enforcement agencies begin to implement the country's new anti-money laundering laws, the extent of drug traffickers' exploitation of the financial system here will become clearer.

US officials believe that a significant amount of money laundering, including drug money laundering, has been occurring in Japan for years. The "boryokudan," Japan's 87,000-member organized crime syndicates are likely to have taken advantage of the wide-open Japanese banking system. With approximately 40 percent of their illicit income estimated to be derived from drug trafficking, it is improbable that they would not exploit a financial environment which has been so unprotected against money laundering. The "boryokudan" traffic primarily in methamphetamine and control about 95 percent of that market in Japan. The national police agency reports that in 1990 and 1991 "boryokudan" members constituted 44.2 and 43.9 percent of methamphetamine arrests, respectively. Many Japanese officials in the law enforcement community, including Japanese Customs, believe that the "boryokudan" have been exploiting Japan's financial institutions for years.

There have been several cases in which Colombian traffickers are believed to have used Japanese overseas banks or sent money to banks in Japan. Bank secrecy laws, however, prevented further investigation of these accounts. There have been increasingly frequent but largely unconfirmed reports of collaboration between the "boryokudan" and the cocaine cartels in cocaine trafficking. There is no evidence, however, that suggests that heroin or cannabis proceeds are being laundered in Japan.

The new laws will bring Japan into conformance with the UN Convention. The effective date of the new laws will be set within one year by cabinet order. The new laws criminalize money laundering and require financial institutions to report suspicious accounts and transactions. The laws also authorize confiscation of bank deposits and other assets identified as drug proceeds.

Legal requirements levied on financial institutions regulated by the new laws cannot be stated with much specificity since development of supporting legislation is ongoing. Financial institutions will be required to report various types of transactions above threshold amounts of money, i.e., five million yen ($40,000) for conversions to foreign currency and 30 million yen ($234,000) for domestic currency transactions.

KOREA has strict controls on the transit of large sums of money and, while money laundering is not prohibited, there have been no cases of money laundering. However, bank secrecy laws, the ability to open bank accounts under third party or even fictitious names, coupled with the large methamphetamine trade with Japan, would suggest a high degree of vulnerability to money launderers. In at least one instance uncovered by Operation Royal Flush, Cali cartel funds are believed to have passed through Korea.

When opening a bank account (real), the applicant provides the bank a personal stampmark, called "tojang". The bank provides a passbook whose number with the client name are recorded in the bank's central computer. Korea also allows "no name" accounts for banking or stock trading; the bank would have its number, a copy of the client's "tojang" and a secret four-digit code supplied by the client. Any person having the passbook, "tojang" and code can conduct business through the account. Korea will allow foreign investors beginning in 1992, but only for "real" accounts.

LAOS is not a place where one would consider laundering money. Large transactions would attract the sort of attention money laundering schemes are meant to avoid. Laos is not considered an important financial center; it is only now establishing a commercial banking system, with the assistance of international consultants. The legal system is also nascent. Laos has very strict laws on the export of Lao currency, but there are no specific laws on the laundering of currency as none have been considered necessary to date. There are also no specific laws dealing with asset seizure for narcotics offenders.

MALAYSIA is not considered a money laundering center, despite its advanced financial infrastructure and active banking industry and involvement in the heroin trade, but the Malaysian island of Labuan is becoming a tax and banking haven and could be exploited by Asian drug traffickers. Evidence indicates some Malaysian financial concerns, especially in Penang, may be involved in laundering funds from narcotics trafficking.

The GOM's asset seizure law specifically proscribes the laundering of funds obtained through illegal means (e.g. narcotics trafficking). Malaysia maintains a generally liberal policy on foreign exchange transactions and the repatriation of legal profits. Foreign exchange transactions of more than M$10,000 ($3,700) require a foreign exchange control license. The commercial bank may provide the license without central bank approval for transactions between M$10,000 and M$10 million ($3.7 million) but the license forms are sent to the central bank and are made available to law enforcement officials. A transaction exceeding M$10 million requires the specific approval of the central bank.

Malaysian law provides police investigators with full access to bank records, notwithstanding existing bank secrecy laws. It also specifically permits sharing investigatory material with foreign law enforcement authorities. The police have actively pursued money laundering and asset seizure cases and have cooperated closely with DEA and other foreign enforcement agencies.

NAURU, like other Pacific Basin island nations, has established an offshore financial sector that could attract narcotics proceeds. Nauru is a zero tax haven, offering a wide variety of banking and financial services, and front and shell companies can be easily established (48 hours). More, the government actively encourages foreign investment in trade and holding corporations, insurance and reinsurance corporations, and international banking and finance services. The government denies a narcotics problem.

NEW ZEALAND is not a significant money laundering center. Money laundering legislation is scheduled for parliamentary action in 1992. Currently, money laundering is not a criminal offense. Banks monitor large currency transactions but reporting requirements do not permit law enforcement officials to use them effectively to identify and control transactions by narcotics traffickers.

New Zealand controls laundering of profits from illicit narcotics traffick through its conspiracy laws. There have been no money laundering prosecutions to date. The GNZ hopes to pass asset forfeiture legislation, based in part on a US model. Much of the impetus to pass narcotics legislation is not only to obtain funds from seized assets to support control activities but also to harmonize New Zealand laws with those of other countries.

PHILIPPINES bank secrecy laws and other factors would normally attract money launderers, but there is little evidence of any significant laundering of drug proceeds. Some laundering could occur without government knowledge, because the Philippines is one of the source countries for Japan's very active methamphetamine or "shabu" traffic, which the Japanese value at more than $3 billion, but there are no laws or mechanisms that are directed to money laundering. Still, US authorities discount any suggestion that the Philippines is increasing in importance as a money laundering center.

SINGAPORE, a major financial center in Southeast Asia and one of the world's largest foreign exchange centers, is preparing to lift the veil of bank secrecy to assist in narcotics investigations. The Monetary Authority of Singapore and the Home Ministry have drafted legislation to counter money laundering and authorize narcotics-related asset forfeitures.

US authorities suspect that significant narcotics money laundering has taken place in Singapore, but have no estimates on volume. The Monetary Authority of Singapore (MAS), which has a deserved reputation for tight control of the banking system, disputes contentions that money laundering is significant or widespread. The presence of dozens of offshore banks, the stability of the economy and government, and the existence of strict bank secrecy law would appear to make Singapore an attractive target for money launderers. Several recent cases suggest that traffickers who have penetrated the Singapore banking system did so by first making "placement" through banks or financial institutions outside Singapore, then having the funds transferred.

Officials from these agencies say the legislation will criminalize money laundering, permit the sharing of financial and other data with foreign investigators, enforce foreign forfeiture orders including both civil and criminal cases (but no administrative forfeitures), provide for temporary freezing of assets and make other improvements in current law -- which already requires records of financial transactions, reporting of suspicious transactions, and disclosure of beneficial owners of accounts. Singapore no longer permits numbered accounts, which the legislation will abolish. The legislation may also contain a presumption that assets earned or acquired six years before conviction on a drug trafficking offense were derived from drug trafficking.

Equally significant from the US perspective, the legislation would reportedly lift certain bank secrecy restrictions concerning financial information even if the criminal investigation is initiated outside of Singapore. Singaporean customs would be allowed to seize cash at the border if it appears to be narcotics-related.

The proposed legislation would also authorize bilateral agreements or treaties for facilitating mutual assistance in drug cases, and criminalize the laundering of drug proceeds in conformity with the UN Convention. Upon enactment of the asset forfeiture legislation, the GOS intends to accede to the UN Convention. (Currently, the GOS abides by most elements of the Convention, with the notable exception of its prohibition against banks sharing information that is protected under Singapore's bank secrecy laws).

The GOS is also cooperating more fully in multilateral efforts to combat money laundering. Singapore has joined Hong Kong and the members of the Gulf Cooperation Council as the only non-OECD members of the Financial Action Task Force. Singapore's announcement of its decision to join FATF came at the end of a round of bilateral

talks with officials from Treasury, State and Justice last July, at which the Washington officials made a strong case for FATF and Asian participation, and received briefings on proposed changes in Singapore's banking and asset forfeiture laws. The Monetary Authority of Singapore endorsed the 40 recommendations which FATF declared in 1990.

Through Operation CUBS, DEA and Singapore authorities have identified numerous business entities and bank accounts. With DEA assistance, Singapore officials have investigated a major trading company in the Chinese underground banking system, which was facilitating the movement of drug money into and out of Thailand.

Singapore has recently extradited three defendants (Thai nationals) in the KON Yu-leung case, who allegedly were the suppliers for the KON organization in the mid-1980s, and reportedly received much of their financing through Singapore. These were the first "third country" nationals to be extradited to the US.

THAILAND has the potential to become Asia's next significant money laundering center, not only because of the high volume of drug deals taking place, but because neighboring financial centers are attempting to curb money laundering. While not thought of in the past as a significant money laundering center, Thailand has the ingredients; it is a hub for heroin and other drug trafficking from the Golden Triangle, and it has a two-tiered system of banks and underground financial syndicates, both with ties to the major financial centers (Hong Kong and Singapore); inadequate narcotics control activities; inadequate cross-border currency monitoring; and no money laundering control laws. There is already significant money laundering occurring in the Thai-Malaysia border area.

Most Thai and Sino-Thai traffickers work through financial syndicates based in Hong Kong and elsewhere and bypass the formal Thai banking system, which has been used mostly for in-country transfers. Even in Thailand, traffickers primarily use Chinese gold shops, finance companies or other businesses, connected to the Chinese underground banking system which can send large amounts of money around the world in minutes. Thailand has strict controls on currency leaving the country, but not on entry. Nigerian traffickers, apparently increasing in number, are declaring large sums of cash on entry, which may be due to their lack of access to the underground system. West Africans, primarily Nigerians, are involved in 25 percent of heroin seizures in Thailand, and reportedly are smuggling currency out of the US to buy heroin in Thailand.

However, public reports have begun to question how much money not only moves out of Thailand, but how much stays and what effect it has. A recent study by a private economic research institute, using admittedly soft data, reported that money from narcotics trafficking remaining in the Thai economy could amount to four billion dollars annually.

These figures haven't been affirmed by the government, but Thai authorities plan to examine narcotics-related financial transactions more closely with the implementation of new conspiracy and asset forfeiture laws. There are no money laundering laws per se, but the Thai will consider such laws should present legislation prove inadequate. Narcotics legislation containing conspiracy and asset forfeiture provisions was adopted August 16, 1991. The Thai government has not pursued any conspiracy or financial investigations, alleging a lack of training which DEA is now preparing to provide.

TAIWAN also has the potential to become a money laundering center. It has a strong banking system, and a well-established Chinese underground financial system; no narcotics money laundering controls; and access to major narcotics trading areas. While Taiwan is not considered to be an important East Asia regional financial center at this time, Taiwan authorities were quoted in November as sharing this concern that Taiwan could eventually become a major money laundering center.

Taiwan authorities seek to prevent money laundering, regardless of the source of the money, and senior Taiwan law enforcement officials, including Wu Tung-Ming, director general of the Ministry of Justice Investigative Branch (MJIB) are on record as stating that they will prosecute to the fullest extent any Taiwan official, regardless of rank, who is demonstrated to be involved in money laundering.

Narcotics money laundering in Taiwan is heroin related. Funds entering Taiwan can be transferred from the official banking system to the unofficial traditional remittance system and vice versa. Money laundering that does occur in Taiwan can take place both within the official banking system and in the non-bank financial system.

Money laundering is a criminal offense. Banks are required to maintain records of financial transactions in excess of one million New Taiwan Dollars (ntd) although there is no central authority which monitors such NTD transactions Taiwan law places a ceiling of $3 million or the equivalent in foreign currencies, per entity and per annum, on all outward and inward remittances of foreign currencies, and banks are required to report foreign exchange transactions to the central bank. Banks are required to report suspicious financial transactions, but there are no guidelines which define suspicious transactions.

There are no legal exchange houses or non-banking financial institutions. However, there are unlicensed or illegal exchange houses which are said to be recipients of drug money from Hong Kong.

VANUATU is an offshore financial center and tax haven but there continues to be little or no evidence suggesting that traffickers have taken advantage of these attractive financial facilities.

EUROPE

The European Community policy directive on drug money laundering was adopted in June 1991, and the Twelve have until January 1, 1993 to adopt conforming legislation. EC members are also adopting legislation to conform with the Community's Second Banking Directive, a central feature of the economic reforms associated with "1992". These policies are having an extended effect; other European governments which covet EC membership are adjusting their legislation to meet these standards. Members of the European Free Trade Association have agreed to harmonize their banking rules with the EC under plans to create a European Economic Area. Thus, January 1, 1993, should put a cap on if not end all the European arguments about voluntary vs statutory controls, relying on bankers to regulate their own houses or have them regulated, permissive vs mandatory reporting of suspicious transactions.

This review then is most certainly a look-in-time for the Twelve, and much of the rest of Europe as well. Much of the legislative status noted here could change substantially during the year.

Eastern Europe is particularly vulnerable to money laundering, given its emerging monetary policies, lack of adequate countermeasures and limited monitoring ability. It is important when viewing the Eastern situation to acknowledge the strong roles played by non-bank financial institutions. US analysts believe that hard currencies like the dollar, pound and D-mark could circulate readily without passing through any banks. Observers are agreed that the banking systems in Poland and Hungary are the most advanced, with Czechoslovakia not far behind. Bulgaria and Romania are struggling, and Yugoslavia is riven by civil war. The banking systems in the republics of the former Soviet Union are not analyzed here.

There are new questions posed by "1992" and the common financial market that won't really be answered until 1993. The goal is to make it easier to move cash and monetary instruments across the Community. The question which narcotics and other enforcement officers have raised is whether it will also be easier for narcotics traffickers to move drug money across Europe?

With the implementation of new EC regulations to open borders between member nations, Belgian customs, for example, has been forced to curtail significantly border inspection operations, causing a decline in apprehensions of drug traffickers transiting Belgium while moving narcotics between France and the Netherlands.

In the end, many national checkpoints having given way, the first line of defense against money laundering in Europe is the bank -- every bank, large or small.

AUSTRIA liberalized cross-border capital transactions on November 4, 1991, a freedom of capital movements necessary to possible Austrian membership in the European Community. At the same time, the Austrian National Bank closed a potential loophole for money laundering by requiring that trustees depositing money must disclose the identity of the beneficial owner; previously, foreigners could not hold anonymous accounts, but Austrian trustees could open such accounts for them. In another positive step, the Federal Chamber of the Economy issued a January 1992 directive requiring banks to require proof of identity from anyone depositing the equivalent in any foreign currency of 200,000 schillings (about $18,100). This rule of disclosure was welcome, the previous threshhold having been $50,000.

The stricter rules on anonymity do not apply to schillings deposits into savings accounts, which are a long-standing tradition in Austrian banking. However, these accounts are only available to Austrians; they are denominated only in schillings; and money cannot be moved by wire into or out of the accounts. Many Austrians consider these accounts to be a central element of the country's independent, neutral status.

The Federal Chamber of the Economy issued an "expanded declaration of due diligence" which requires banks not to carry out business when there are reasonable doubts about the origin of the money. Special attention will be paid, Austrian officials said, to transactions that could be connected with money laundering. Austria's tight bank secrecy laws are still considered to create at least the potential for its banks to be used to launder drug proceeds, a potential that may have increased with the tightening of banking laws in Switzerland and Liechtenstein. Austrian officials are working to close these loopholes, and change the country's banking laws to accord with EC directives.

Efforts are underway to amend the penal code to allow ratification of the UN Convention, as early as Spring 1992, including an amendment making money laundering a crime. Currently, banks are required to maintain records of large currency transactions, and they report data regularly to the Austrian Central Bank (Austria's federal reserve).

BELGIUM is not a money laundering center but it is an intermediate point on an established air route linking Lagos, Chicago and Toronto; the focal point, Antwerp, is Europe's third largest port; Nigerian nationals frequently use this route to transport US dollars to Lagos. Regulators are completing the final stages of the sweeping liberalization of the financial system in order to prepare it for competitive EC single market conditions. Belgium passed legislation in 1991 making money laundering a crime. Belgian law provides for the seizure of assets but only if directly related to the crime. However, bank secrecy laws are still so strong that police do not have the tools to actually enforce the law. Belgium's law on receiving stolen property states that a person is criminally liable if they knowingly receive stolen property that was removed, diverted or obtained through crime.

BULGARIA is not considered a narcotics money laundering center, however, it's authorities have expressed concern that the country's financial liberalization, coupled with its geographic position on the "Balkan Route" for heroin, might attract such funds and have stated their willingness to assist in investigations of such activities. Following 45 years of communist rule, Bulgaria's banking sector is beginning to decentralize. However, the lack of a convertible currency prevents it from becoming a regional financial center of any importance. Bulgarian banking regulations are generally in a state of flux with significant regulatory changes expected. Bulgaria expects to ratify the UN Convention in early 1992, and has provisionally applied the Convention to the extent possible. Additional implementing legislation is expected following ratification.

CZECHOSLOVAKIA (The Czech and Slovak Federal Republic) is building a democratic political system and a market economy after more than forty years of Communist rule, which ended with the "velvet revolution" of late 1989. Creation of a banking system compatible with a market economy ranks high among the challenges the CSFR faces. The CSFR, having completed an associated agreement with the EC, now seeks to make its banking laws fully compatible with those of the EC including laws relating to money laundering.

The CSFR has undertaken substantial privatization of small businesses and privatization of thousands of large enterprises will soon begin. Many people in Czechoslovakia worry whether the money being used in the privatization process is clean, or was obtained in some questionable fashion. The Federal Ministry of Finance is actively laying the legislative and procedural basis for addressing the problem of "dirty money." "Dirty money" and "money laundering" are perhaps somewhat broader terms in Czechoslovakia than in the US. In common parlance, the same term is used both for money derived from illegal activities such as narcotics trafficking and for earnings that simply have not been taxed. By all indications, the latter problem is so far much larger than the former. The Federal Finance Ministry sees a need to attack both problems simultaneously.

The CSFR, however, does not have a single law on dirty money or money laundering. Hiding the origin of money originating from criminal acts would become a crime under the new draft criminal code. Better ways of identifying financial flows are also included in new laws on the Czechoslovak State Bank and on banking in general, approved by the Federal Government November 7 for transmission to the Federal Assembly. Under these laws, the state bank would have to establish regulations for the handling of money. The law would require banks to check the identity of parties making deposits over 100,000 Czechoslovak Crowns ($3400) and of those seeking to rent safety deposit boxes. Banks also would be able to refuse to serve clients who wished to remain anonymous; the civil code has been amended eliminating the right of anonymity for depositors. The law would also require banks to report transactions over 100,000 crowns to law enforcement authorities for a period of five years.

A residue of the former Communist regime is a system of tax offices ill-equipped to effectively differentiate between legal and illegal monies in a market economy.

DENMARK is not an important financial center nor a major narcotics money laundering center, although cocaine and heroin proceeds, and perhaps hashish revenues as well, have been laundered through the banking system. Denmark is not a transit point for money, but rather it is seen by drug traffickers as one more hiding place where law enforcement authorities would not normally look. The money laundered here has been both local and foreign. There were two recent major cases of money laundering by Colombian drug smugglers, in which the bank accounts were seized.

Senior Danish officials have promised that the UN Convention will be ratified by next summer. Money laundering and other needed legislation has been drafted and submitted to the Folketing. Money laundering is not now a criminal offense. Banks are not required to maintain records of large currency transactions. However, all bank transactions are tied-in to a central computer, which is accessible to law enforcement authorities if they obtain court authority. There is no requirement to report suspicious transactions. There are no controls on the amount of money that can be brought into or out of Denmark. Money laundering controls are not yet applied to non-bank financial institutions.

FINLAND police have feared that lax laws could attract illegal money. Money laundering is not a crime unless connected to another crime. A Ministry of Justice group began work in September 1991 to draft new legislation to implement the UN convention.

FRANCE is not considered a major money laundering center but has been used by money launderers in the past. Paris is not a major narcotics money laundering center, but serves as a transit point for drug funds moving through Europe and between Europe and South America; however, French banks outside of France have been used by money launderers.

France was among the first EC country to undertake measures to combat money laundering; French laws cover not only narcotics offenses but a wide range of criminal activities which launder proceeds. Money laundering is a criminal offense. Seizure laws on proceeds of narcotics trafficking extend to property as well as cash.

France has established a special office, Tracfin, for processing and targeting suspected narcotics-related money laundering operations. Tracfin combines police and customs intelligence and information obtained from the banking community in an effort to support the French money laundering strategy. Tracfin exchanges information with foreign counterparts under conditions of reciprocity and confidentiality. (Counterparts include FINCEN, the UK National Drug Intelligence unit and the Australian Cash Transaction Reports Agency). Tracfin refers potential French money laundering targets to the national police and French Customs for further investigation.

Banks are required by law to report suspicious banking activity to Tracfin, although there are no serious sanctions against a bank which fails to do so. There are no currency transaction reporting requirements, but the 1990 budget law outlaws cash payments exceeding 150,000 French francs ($27,500). All monies imported into or exported from France in excess of 50,000 francs (approximately $9,000) must be reported to Customs.

US and French Customs have a bilateral agreement which allows a free flow of information on money laundering investigations. French Customs, Tracfin and the national police have assisted US Customs and other US enforcement agencies in many major narcotics money laundering cases, the most notable being BCCI and Polar Cap.

Agent-provocateur laws have limited the ability of French law enforcement officials to conduct undercover operations in the arena of drugs and money laundering. This has sometimes hindered undercover enforcement efforts because US undercover agents have been unable to make pickups of drug proceeds from French sources or to make deposits in French banks as requested by drug dealers. Pending legislation would authorize Customs agents and police to do limited undercover operations in money laundering and drug investigations with the consent of a magistrate. If the law is approved, it would herald a new proactive era for French law enforcement officials.

GERMANY, with Frankfurt as its economic hub, is one of the world's most important financial centers. Both German and US officials consider it an important money laundering center. There are no public estimates of the amount of money laundered in the country, but German banks, particularly those with branches in South America, are increasingly attractive conduits for Latin traffickers seeking new ways of moving cocaine proceeds through and out of Europe.

At present, money laundering is not a crime. While banks must keep records of cash transactions of DM 2,000 or more, and report the number and amount of such transactions (but not client identifiers) to the Central Bank, the German data protection law prevents this information from being shared with enforcement authorities.

Two pieces of legislation relating to money laundering are pending. The first, which would make money laundering a crime and permit seizure of assets, had its second of three readings in the Bundestag in January 1992. A follow-up draft, which lays out the requirements for the recording and reporting of cash transactions, was made public in October 1991, and would require financial institutions to maintain records of currency transactions over DM 50,000 ($32,000) or DM 30,000 ($18,000) in cases where the customer has no account at the institution. The data will not be reported to a central authority, rather, the bank will be required to keep a record of the transaction for five years. Suspicious transactions will have to be reported to the authorities. The legislation includes a passage making banker negligence a crime. Money laundering controls will also be applied to all cash transactions, regardless of where they take place.

The first bill criminalizing money laundering appears to have been crossed its major hurdles; the second bill on fund tracing is still early in the legislative process. As a member of the EC, Germany must implement the terms of its money laundering directive by the end of 1992.

When the government presented the first money laundering draft two years ago, banks complained it would drive capital out of the country. In the meantime, banks have reportedly recognized the necessity of such legislation and are now more-or-less cooperative. Banks are, however, not pleased with the DM 50,000 threshold for registering transactions, especially since the EC directive does not prescribe such a threshold. It is important to the banks that Germany's transaction reporting requirements be consistent with the requirements of other countries, so that German financial institutions do not lose deposits to other countries. Banks also have difficulty with the requirement that they notify the authorities of suspicious transactions, in part because of the lack of guidelines defining "suspicious." This will be the first German law which makes disclosure mandatory. It is too early to say what the impact of the law will be on deposit levels in German banks.

The draft law authorizes forfeiture and seizure of assets. This law pertains not only to assets purchased directly with proceeds from the sale of illegal narcotics, but to assets related to any form of organized crime. The draft law allows authorities to seize all assets related to drug or syndicate-related crimes. The current law is rarely used as the authorities must prove that assets were acquired as a result of profits from a specific crime. International cooperation is very good. However, present laws restrict law-enforcement agencies to such an extent that it is extremely difficult for German authorities to follow leads they receive from US agencies pertaining to money laundering.

GIBRALTAR is actively encouraging the development of its banking business to establish itself as a leading international finance center. It's off-shore banking and bank secrecy laws will continue to attract drug money. Gibraltar offers tax-free status to offshore financial institutions which only do business outside Gibraltar. There are no exchange controls, and no tax treaties, and Gibraltar assures investors of complete confidentiality.

GREECE is an important financial center for the Eastern Mediterranean region. It is difficult to determine, however, to what degree Greece serves as a money laundering center. Both Greek and US authorities assume laundering of drug money does take place, especially money derived from trafficking of heroin. Greece is also an important tax haven, but the extent of any connection to drug money is unknown.

No legislative changes have yet resulted from ratification of the UN Convention but parliament passed a law in 1991 that provides inter alia for lifting bank secrecy when there is evidence of conspiracy to commit terrorism or engage in drug trafficking. Greece has maintained controls on the amount of currency movements. A presidential decree was issued in March 1991 allowing for "investigation of the origin of private capital in order to expose money laundering."

Greek enforcement officials received a good deal of training in money laundering enforcement from US Customs, DEA and the Justice Department in 1991, and additional training is scheduled for 1992. Judges and prosecutors will also participate as part of their preparation for legislation that is expected to be enacted in the near future in connection with Parliament's ratification of the UN Convention.

HUNGARY has adopted new laws governing its banking industry, which is the most advanced of the Eastern European economies but still very small by international standards. Portions of the law dealt with money laundering and make practices related to it illegal.

Private banks have been resistant, however, to government requests to investigate bank accounts. The government also finds it difficult to enforce investigation because laws related to individual privacy were instituted to prevent abuses by the security services and government. They cover not only banking, but other individual democratic rights. Although banks are required to maintain records of large transactions, there is no formidable central authority to which to report these transactions. There are controls on the amount of currency which may be brought into the country and these controls are enforced. There have been no arrests and/or prosecutions for money laundering.

Hungary recently received associate EC membership, and is expected to implement EC money laundering policy as well as the UN Convention.

ICELAND is not a major financial center, nor is it considered significant from a money laundering perspective.

IRELAND is not an important regional financial center, nor is it considered a money laundering center for narcotics or any other criminal activity. Legislation to provide for the prevention of money-laundering, the seizure and confiscation of the proceeds of drug trafficking and other serious crime, and the forfeiture of property used in the commission of crime is being drafted. The legislation will also give effect to the UN Convention on drug trafficking, the EC directive on money laundering, and the Council of Europe convention on mutual assistance in criminal matters.

ITALY has a large banking/financial infrastructure as befits a country of its size and level of development. It also has a significant organized crime problem, and Italian organized crime derives much of its wealth from the sale of narcotics, particularly heroin, both in Italy and abroad. The extensive organized crime and narcotics networks use both banks and non-banking facilities to launder proceeds.

There is some evidence that Italy is becoming popular with foreign money laundering syndicates, especially those connected with South America. There have been reports linking the Italian Mafia with the Medellin cartel. Funds generated by the rash of kidnappings in Italy are being used to purchase drugs from South America which are then sold in Italy, thus recycling the proceeds.

Italy also is a transit point for currency destined for deposit in Switzerland, the US and elsewhere. However, that money laundering in Italy involves more than the proceeds of the narcotics trade. Substantial monies from extortion, kidnapping and other crimes also are involved. Money laundering here also is entwined with tax evasion, a major problem in Italy.

Financial reporting requirements for banks are limited, and non-compliance is widespread. Banks are concerned that restrictive regulations could interfere with legitimate operations. Money laundering, per se, is not a crime. But Italian law specifies activities that constitute money laundering offenses and criminalizes the investment of money, assets, or other proceeds/profits resulting from illicit activities. Four crimes (kidnapping, narcotics, extortion, and aggravated robbery) are necessary antecedents to money laundering before prosecution can be undertaken. Narcotics production and trafficking were added in compliance with the UN Convention. Penalties are increased if the money laundering activity is conducted by insiders involved in a business or profession which facilitates the commission of this type of offense.

Under recently introduced anti-money laundering regulations (Law No. 197, dated July 5, 1991), transactions of 20 million lire ($16,000) or above have to be made in traceable instruments. The rule applies to banks, brokerage firms, insurance companies, exchange houses, trust funds, officials in public administration and post offices, and any other firms in the finance sector. Financial institutions are required to gather details concerning the transactions and identify not only the person who makes the transaction, but also the person for whom the transaction is made. Beginning January 1, 1992, taxpayer identification numbers must be included.

The Italian tax/customs police (Guardia di Finanza) reportedly are focusing much attention on the approximately 32,000 finance firms in Italy, some of which are suspected of engaging in money laundering. Under the new anti-money laundering regulations, these firms are required to assume corporate status, fulfill minimal capitalization requirements, and submit applications for continuing their operations.

Banks and other financial firms are required to record bank deposit data within 30 days. This regulation was a compromise between proponents of a centralized data bank for financial transactions and opponents, in particular the Italian Banking Association (ABI). Financial firms will be required to pass to central authorities only information on the overall flows of funds. The Italian exchange office will be responsible for processing the information into usable statistics. Authorities will be able to identify regions or cities with suspicious financial flows, but will not have immediate access to individual operations.

Banks and other financial institutions to report suspicious transactions. The ABI is working with banks to establish procedures for bank personnel to assist them in spotting suspicious activity.

Bankers opposed creating a central data bank to process deposit information. This opposition reflected the close link between the problems of money laundering and tax evasion in Italy. Some proponents of the centralized data bank were motivated more by a desire to catch tax cheaters than to prevent money laundering.

A proposal reducing bank secrecy also reflects a compromise between the banking and tax authorities. The proposal would allow only high-ranking tax officials to request deposit records from a magistrate and would only allow a bank branch manager to access the information. Deposit holders would be informed that tax authorities had requested access to their accounts.

LIECHTENSTEIN has a recognized but comparatively small financial center, about $12 billion compared to $760 billion in Swiss banks. While figures are not available for the total assets of fiduciary (trust) companies, they are a substantial addition, approximately equal to the three banks assets of $12 billion. Liechtenstein is a recognized tax haven and there is speculation that American drug traffickers send proceeds to Liechtenstein's letter box companies. The small size of the mini-state (29,000) and the fact that all actors know each other can act as a natural brake on dubious dealings. Because of the sophistication and international clientele of its financial sector, its banking secrecy laws, the large number of shelf corporations (approximately 45,000) and fiduciary agencies, and the lack of enforcement regulations, the opportunity for money laundering nevertheless exists.

Money laundering is not a criminal offense and banks are not required to maintain records of large currency transactions nor to report these to any central authority. There are no controls on the export or import of currency in Liechtenstein, which is in a currency/customs union with Switzerland, at whose borders there are also no controls.

Efforts to prevent money laundering are governed by a "sorgfaltspflichtvereinbarung", a binding "due diligence" agreement between the three Liechtenstein banks, fiduciary agents and the government, originally signed in 1977 and strengthened in 1989. Under the agreement, banks and fiduciary agents commit themselves to establish the identity and bona fides of the beneficial owner and to avoid assisting with flight capital and tax evasion through misleading or incomplete records in connection with opening general accounts, security deposits, and safe deposit boxes, including cash (also foreign currency) transactions over SFR 100,000 ($70,000) or equivalent in value. Fiduciary agents are generally lawyers who have signed a declaration committing themselves to the regulations. They are the only agents from whom, under the agreement, banks may accept transactions without ascertaining for themselves the identity of the beneficial owner.

While the banking community has generally increased cooperation on money-laundering, bank officials may not voluntarily provide information under current banking secrecy provisions. In practice,

they do so when ordered to by a court. Some bankers chafe at the prospect of increased government regulations in this small financial community. They state that their self-policing system has worked well so far, and it is obviously in their interest to preserve their international reputation.

LUXEMBOURG is one of the world's most important international banking and financial centers and, as such, attracts drug-related assets. Today more than 170 international banks are located in Luxembourg where they operate as "universal banks" with an unrestricted range of activities. Although Luxembourg has strict bank secrecy laws, bank secrecy does not apply in criminal cases.

Many of the money laundering cases affecting Luxembourg involve funds that were introduced into the world financial system elsewhere (often in the US) and then channeled through Luxembourg's banking system en route to a final destination. Even in these cases, however, Luxembourg law makes the local bankers personally liable if they fail to establish the non-criminal bona fides of the ultimate beneficiary owner of the funds when they are received. We have no indications that the non-banking financial sector has been involved in money laundering. The Monetary Institute has stepped up its efforts to police the banks' anti-money laundering performance.

Drug-related money laundering is a criminal offense. Bankers and other financial dealers are required to keep information on transactions for up to 10 years, but are not required to report data to any central authority. However, if a banker is suspicious of a particular transaction, he must inform judicial authorities. Exchange dealers, lawyers, notary publics, and bankers who handle securities are under the same obligation. Regulations stipulate that bankers are criminally responsible if their institution knowingly launders drug money. Client identity must be verified for cash transactions which equal $10,000 or more, including multiple cash transactions of less than $10,000, if when aggregated they exceed $10,000. There are no controls on money brought into or taken out of the country.

Banking groups have generally accepted Luxembourg's tough money laundering law. However, provisions of the law holding senior bank officers criminally liable for any money laundering transaction which occurs in their banks has been questioned. To date, no charges under this "professional responsibility" provision have been lodged. Authorities are reviewing whether to bring criminal charges against bank management under this provision. Luxembourg authorities contend that there has been no drop in deposits since the law took effect. The legal requirement for banks "to know the client" has resulted in careful scrutiny of all existing accounts and review of new clients for possible money laundering connections.

During 1991, there were major developments in several important drug cases being prosecuted in Luxembourg or having a Luxembourg connection, which mark the first drug money laundering trials in Europe.

Jose Franklin Jurado-Rodriguez, Edgar Garcia-Montilla, and Ricardo Mahecha-Bustos were arrested by Luxembourg authorities on drug money laundering charges. The investigation of Jurado-Rodriguez, a Colombian residing in Luxembourg, was begun in 1989 by the Luxembourg Surete Publique. French Customs and DEA cooperated in the investigation which culminated in surveillance by law enforcement authorities of several European countries of financial transactions by the three defendants .

As a result of this investigation, nearly 300 bank accounts related to the investigation were identified in the US, Luxembourg, Panama, Uruguay, Spain, Germany, Great Britain, Denmark, Finland, France, Israel, Italy, Monaco, the Netherlands, Montserrat, Austria, Hungary, Sweden, Colombia, the Cayman Islands and Switzerland. The Luxembourg Surete Publique and DEA have requested the freezing of accounts containing over $70 million, half of which is in Europe. Property has also been seized in the US.

The trials in Luxembourg began October 14, 1991, and are expected to conclude in February 1992, with possible sentencing in March. US warrants and extradition requests for the three defendants have been prepared. In a related civil case, forfeiture proceedings are expected to commence in March in the Eastern District of New York.

Luxembourg bankers exhibited not only a willingness, US officials say, to cooperate with law enforcement efforts, but to alert law enforcement agents to suspected money laundering. Luxembourg authorities say that despite the earlier fears of bankers, those who have taken active stands against money laundering have seen no declines in deposits.

There are two other significant money laundering cases currently under judicial investigation in Luxembourg. One involves cooperation with DEA while the other has entailed joint investigations with Dutch authorities.

MADEIRA AND THE AZORES Off-shore banking activity in Maderia and the Azores is of concern. There are no reporting requirements for banks, and bank secrecy laws make it a crime for police to obtain bank records. The casino industry in Estoril and Madeira and Macau are also of concern. Given the reports of money laundering in the casinos of Macau, and the common ownership of some of these casinos and those in Estoril, these operations could be potential money laundering centers.

MALTA and SAN MARINO should be considered potential money laundering sites. Given Malta's proximity to Italy and San Marino's location inside Italy, they are very attractive locations for traditional Italian organi-ed crime groups to conduct off-shore banking activity. DEA officials believe that Malta and San Marino could benefit from the erosion of bank secrecy in other European countries. In addition, Malta is actively creating an offshore financial center.

MONACO has not been a major money laundering concern. Little evidence of money laundering through Monaco has emerged since the seizure of records involving Rodriguez Gacha showing that the Medellin cartel used Monegasque banks. Still, DEA officials believe Monaco remains a potential money laundering site because it has no income tax and low business taxes and thrives as a thrift haven for individuals who have established residence and for foreign countries that have businesses and offices there. Its casinos, like those in other parts of the world, are at least potentially vulnerable to laundering of drug profits.

THE NETHERLANDS is one of the oldest and most active financial centers and is home to several major financial institutions having world-wide operations. Narcotics money laundering has become a matter of concern to the Government and to US authorities. The indications are that the Netherlands is primarily a transit point for money, but in some instances funds are converted by the financial system. Money laundering proceeds are owned by both local groups and organizations located in other countries.

Pending legislation, expected to win parliamentary approval in time to meet the EC timetable, would increase regulatory machinery in a number of regards. Money laundering is not a separate and distinct criminal offense in the Netherlands but is covered instead by general provisions of laws dealing with property of criminal origin (receiving, possessing, transferring, etc). Banks are not currently required to maintain records of large currency transactions, nor are they required to report suspicious transactions, nor are there controls over the amounts of currency brought into or taken out of the country. However, legislation has been announced on mandatory reporting of unusual transactions, customer identification and record keeping. Various bankers have applauded, some have objected, but Dutch authorities are firm in believing the money laundering legislation will pass.

Several major financial cases in progress are being pursued as organized crime activity, narcotics or tax violations, with the laundered money subject to confiscation as the instrumentality of the laundering offense. Assets can be seized as a value-based confiscation. Dutch law allows for civil as well as criminal forfeiture. The banking community generally cooperates with GON enforcement efforts to trace funds, seize bank accounts, or monitor bank accounts.

NORWAY is not an important financial center nor is it considered a money laundering center. Money laundering related to narcotics is a criminal offense. Corporate criminal liability will be introduced in 1992. Banks are required to report international cash transactions over 25,000 kroner ($4,000) and other international transactions over 60,000 kroner ($10,000) to the National Bank. The Ministry of Justice is currently working on controls on suspicious transactions in cooperation with the banks and the prosecutor general. Individual banker responsibility laws are being studied. Norway does not have exchange houses.

The Rashid case resulted in the conviction of a Pakistani banker employed by a Norwegian bank. He was sentenced to a four-year prison term. Two other bankers were convicted in Pakistan on the basis of information passed by Norwegian authorities.

Norwegian law on asset seizure in drug cases is very strong and adequate to ensure fulfillment of both international and national obligations.

POLAND is not a money laundering center at this time, although there is potential for penetration of its still-developing financial system. There was no evidence of significant money laundering activity in Poland during 1991, according to DEA.

Money-laundering per se has not been specifically addressed by legal code and therefore is not technically illegal; however, Polish authorities would most probably respond to instances of money laundering if discovered to be significant. Domestic tax and regulatory restrictions do not encourage business enterprises requiring evasion or secrecy, and given the pace of changes within the regulatory and legal system, this is unlikely to change.

Banks are not required to maintain records on currency transactions or report suspicious transactions. Internal bank recording methods are both antiquated and non-standard. Currency and account controls are practically nonexistent, as unlimited amounts of domestic or foreign funds/specie may be imported or exported, transferred via wire, moved through direct or external deposit, and physically passed through all borders.

Non-banking financial institutions are not regulated by any central authority, and their activities have not been addressed in the legal code due to their relatively recent emergence as players within the financial marketplace.

Assets can be seized if used in the facilitation of the criminal enterprise or if their ownership is questionable.

There is a degree of disincentive to the passage of strict seizure laws given the sensitivity of the government to actions which are similar to those enforced under communist regimes. Other factors are the limited budgetary and material resources, and the lack of training.

Given the state of development of official and private banking institutions, as well as unregulated non-banking exchange houses, Poland is and will continue to be vulnerable to exploitation by criminal elements seeking to transfer and/or wash funds through active accounts, wire transfers, inter-bank exchanges, and possibly direct cash transactions.

PORTUGAL is not an important financial center, nor do financial authorities consider the financial sector to be affected by money laundering. Speculation in the real estate market led the Bank of

Portugal (BOP) to investigate some transactions, but no suspicious transactions have been uncovered. The Madeira Islands have a budding off-shore banking system, but authorities believe that it is used by Portuguese banks for tax advantages and to circumvent exchange controls. Banks are not required to report suspicious transactions. However, the recently approved EC directive requires that domestic legislation be altered so that commercial banks and the Bank of Portugal will be obliged to report suspicious transactions to appropriate police authorities. The EC directive obliges national authorities to extend money laundering controls to all financial institutions, including exchange houses.

SPAIN. There is evidence of significant money laundering activity in Spain by both the Italian Mafia and Colombian drug traffickers.

SWEDEN is not an important financial center or a narcotics money laundering center. There have been cases of Colombian cartel attempts at money laundering in Sweden, but Swedish police in cooperation with DEA froze the accounts. Non-bank financial systems are of minimal importance in Sweden; they make up one percent of the market. Parliament amended laws on receiving stolen goods in conformance with the UN Convention. Accordingly, money laundering is a crime. Banks are not required to maintain records of large currency transactions, but such transactions must be registered in the central bank, which has a deterrent effect. The financial supervisory authority has issued recommendations to banks on these issues. Current laws permit seizure of any and all assets, including conveyances used to transport narcotics, property, goods, real estate, intangible property such as bank accounts. Any legitimate business owned by a drug criminal can be seized.

SWITZERLAND has gone to great lengths to counter narcotics money laundering. In July 1991, Switzerland abolished so-called "Form B" accounts (anonymous numbered accounts named after the application form) that were easily abused by money launderers. This followed an August 1990 amendment to the penal code, making money laundering a criminal offense and obligating all financial institutions to exercise due diligence in identifying the beneficial owner of assets. The law builds on a 1987 report by the Swiss Banking Commission, known as the "due diligence convention," that provides for penalties against members who fail to take steps to counter money laundering in their banks. In February 1992, the Commission announced new rules for identifying and reporting suspicious transactions. Bank secrecy laws continue but do not apply in criminal cases.

The Commission is currently investigating several cases of possible money laundering violations. The Commission has prepared a "circular letter" outlining how banks should implement FATF recommendations, including the due diligence convention, recordkeeping, and identifying and reporting suspicious transactions.

The INCB reports that further Swiss policies are planned to combat money laundering, including confiscation of ill-gotten gains and the penalization of companies as well as individuals. The leadership shown by Swiss foreign policy, banking and enforcement officials was recognized by other financial center governments when Switzerland was chosen to head the 1991-92 round of FATF. Close cooperation with Swiss authorities remains a central feature of US global efforts.

Switzerland expects to ratify the UN Convention in 1992. If Switzerland adheres to the recently-concluded agreement between the EC and the European Free Trade Association for a European Economic Area (which is subject to an arduous referendum process), Bern would be obliged to comply with EC directives on money laundering. A Mutual Legal Assistance Treaty with the US has provided the vehicle for extensive cooperation on investigations and on asset seizures and forfeitures.

As a tax haven, Switzerland has long attracted both legitimate and illegitimate monies from well-to-do foreigners seeking a strong currency, conservative financial institutions, and political stability. Consequently, like much of Western Europe, Switzerland continues to attract drug money, despite its substantial legal, regulatory and cooperative efforts. Non-bank institutions have also been used to launder narcotics proceeds, a trend that may grow as traffickers try to avoid the increasing scrutiny at traditional Swiss banks. In addition, press reports confirm that the gold and other precious metals trade through Switzerland facilitates narcotics money laundering. In a recent case, a principal US money launderer for both Colombian cartels was arrested in Geneva while conducting a gold transaction. Furthermore, Switzerland's "treuhand" or fiduciary companies are highly vulnerable to money laundering.

TURKEY continues to be used by traffickers to smuggle large amounts of drugs produced in the Near and Middle East towards Europe, via the Balkan route, according to the 1991 INCB report. Turkey is not considered a major narcotics money laundering center. Money laundering, which is not against the law, takes place on a limited scale and there is potential for increased activity. Turkish nationals may freely purchase foreign exchange and hold foreign exchange denominated accounts. These transactions are reported only in the aggregate to the central bank. Over the past year there have been press reports of drug money being put into legitimate businesses in Turkey. The gold trade through Istanbul provides South Asian traffickers with a mechanism for laundering the proceeds of heroin sales in Europe.

UNITED KINGDOM banks and other financial institutions share the vulnerability to money laundering experienced by the world's major banking centers, and UK officials agree that London, a major international city which attracts millions of business and personal travelers from the Commonwealth and every part of the globe, also attracts an appreciable amount of drug money. These officials

continue to advocate additional changes.Narcotics proceeds are converted in the UK but also transit the country. Funds have been laundered by international and local trafficking organizations. The Channel Islands and the Isle of Man have offshore banking facilities that are also believed to attract drug funds, and have adopted money laundering countermeasures; their Customs and police are working other law enforcement authorities to shore up their defenses against money laundering. US agencies work closely with their British counterparts in dealing with the money laundering problem.

The Criminal Justice (International Cooperation) Act of 1990 enhanced money laundering authorities, including the ability to detain cash up to two years if a narcotics connection is suspected, with potential for civil forfeiture. Money laundering is a criminal offense if it is related to drug trafficking in either the UK or elsewhere, or to terrorism in Northern Ireland. UK anti-money laundering laws apply only to narcotics and terrorism.

The UK view is that the Drug Trafficking Offenses Act of 1986, as amended, has the equivalent effect of requiring suspicious transaction reporting, because it provides banks and other institutions with a means of reporting suspicious transactions through voluntary disclosure to the National Drugs Intelligence Unit and protects them from prosecution for breaching bank confidentiality.

The 1986 Act's money laundering controls also apply to non-banking financial institutions, such as exchange houses. Under the Act, all proceeds of drug trafficking, following a criminal conviction, can be seized, including instruments of crime and intangible property. Additionally, the Misuse of Drugs Act and the powers of the criminal courts allow for forfeiture of tangible property as the court sees fit.

A Home Office working group has proposed recommendations for significant improvements in the Act. The directive to be implemented before 1993 will make mandatory the disclosure of suspicious transactions, identification of account holders, and the exertion of due diligence in dealing with suspicious transactions.

MIDDLE EAST

THE GULF COOPERATION COUNCIL has taken an aggressive position against money laundering, and represents its members on the FATF. The GCC, comprised of **Bahrain, Kuwait, Saudi Arabia, Oman, Qatar and the United Arab Emirates**, has expressed strong support for an umbrella policy guiding member adoption of anti-money laundering regulations, consistent with international accords.

ALGERIA is not an important financial center and is not considered significant from a money laundering perspective.

BAHRAIN is an important financial center in the Persian Gulf, with offshore banking a major industry. The potential exists for Bahrain banks to be exploited by the various money laundering schemes centered in the Middle East.

CYPRUS has a small but growing offshore banking sector comprised of around twenty banks. Neither offshore nor domestic banks are believed to be used for money laundering. Middle East and other traffickers continue to meet on Cyprus, make their deals, exchange money and move on.

The movement of money is closely monitored. The central bank has supervisory powers over both sectors and has monitored large cash transfers to the offshore sector. Restrictions on foreign ownership of property and controls on currency and bullion transiting Cyprus are among the measures which discourage efforts to launder money through the domestic economy. Declared shipments of currency and some bullion regularly transit Cyprus between Lebanon and Europe. They are largely due to the breakdown of regular credit and banking facilities in Lebanon.

EGYPT is not considered a money laundering center by US or foreign government officials, but the liberalization of its monetary control laws, plus its long-established trade in heroin, hashish and other cannabis products, give it a higher potential than many Middle East or African countries.

IRAN is not considered an efficient base for money laundering operations, its international financial capabilities having been greatly diminished by war, isolation, and the nation's internal politics. Iran has been denied US certification because of its failure to take adequate steps to control drug trafficking.

IRAQ once had banking relationships throughout the Middle East through its Rafidain Bank, one of the largest in the Arab world before August 1990, and the onset of Desert Shield and Desert Storm. Iraq's financial capabilities suffered from the war and subsequent isolation, with most if not all of its financial assets outside Iraq frozen by the allies. Recent events would further preclude Iraq resuming its once strong position. In 1991, the US Attorney General announced a 347-count indictment of 10 people and companies, including four ranking Iraqi officials, on charges of money laundering, fraud and conspiracy. An estimated $4 billion in loans were allegedly fraudulent.

ISRAEL is considered a potential money laundering location, given the presence of several international banks and the alleged links between Israeli organized crime figures and drug money laundering efforts involving real and bogus gold jewelry transactions. Israelis are believed to be among the members of various money laundering syndicates with US operations. Some accounts at Bank Leumi in the US were identified during Polar Cap V as being used to launder Cali cartel proceeds. However, no known instances of money laundering through Israeli banks in Israel have been confirmed.

JORDAN, OMAN, QATAR, and YEMEN differ widely in the resources available to their banking systems, but none is considered significant from a money laundering perspective.

KUWAIT is also regarded as having potential as a money laundering center, not only because of the absence of currency controls and reporting requirements, but also because of a loosely-regulated network of money exchangers.

LEBANON was formerly a major narcotics brokering and money movement center for the Middle East, but civil war and political deterioration virtually put an end to money laundering activities in Beirut. Today, the drug deals that move Lebanon's opium and hashish are made on Cyprus, and the money changes hands there. The economy still runs on dollars brought in from Cyprus, where they are legally declared.

SAUDI ARABIA possesses a high level of knowledge about international banking, and has in place much of the apparatus needed to detect and suppress money laundering. No money laundering incidents have been discovered at Saudi banks, but the Saudis continue to seek new ways to improve their controls and add to their deterrents.

SYRIA is not a producer of narcotics nor is it a site for international money laundering.

UNITED ARAB EMIRATES (UAE) is an important financial center in the Middle East. US officials believe the UAE's free and open banking system, strong bank secrecy laws, large gold markets and open currency exchange laws give it a high potential for manipulation by money launderers. Indian and Pakistani traffickers are known to use the UAE as a financial haven. There is concern among UAE and US officials that the open nature of the banking sector makes it ripe for abuse by money launderers. Typically, funds obtained through drug transactions are wired or smuggled to accounts in the UAE and then smuggled into India or Pakistan. Alternately, money launderers may turn to the UAE's gold market in Dubai, or employ the "hawala" system to conceal and move funds. Dubai is one of the staging areas for the "hawala" underground banking system. Cash wired or brought in from Europe is converted to gold, which is then shipped out of Dubai and smuggled into Pakistan or India.

UAE officials appear open to follow any lead that their banking sector is being abused by narcotics traffickers, but in a society where million dollar currency transactions are not uncommon, it is difficult discover an abuse. In addition to the legitimate banking sector, money exchange houses are very active in the UAE, providing services mainly to the thousands of guest workers who find it difficult to remit their wages to their home countries through the banks. The gold trade, which is central to heroin money laundering schemes, thrives in the UAE.

The basic law against narcotics abuse (Federal Law 6 of 1986) does not treat money laundering as a criminal offense. Banks are not required to report currency transactions to a central authority, and large legitimate currency transactions are common in the UAE. Although banks have reporting requirements to the UAE central bank, these reports are connected to their loan portfolio

Banks have shown a willingness to inform the police authorities of exceptionally suspicious transactions, and police authorities have shown a willingness to investigate such transactions. Both sectors are sensitive to the possibility of the abuse of the free banking system by narcotics traffickers, and many individuals feel that some sort of controls will eventually be necessary. On the other hand, money exchange houses thrive in the UAE as currency transfer institutions for guest worker remittances. These institutions have few, if any, controls and operate on a very large cash basis.

It appears that the current forfeiture law applies to items involved in a specific crime, such as a boat used to smuggle narcotics, and not to other assets owned by a particular narcotics trafficker or abuser.

NORTH AMERICA

UNITED STATES banks and other financial institutions are believed to launder and/or transmit hundreds of millions of dollars in drug proceeds, a sum hopefully diminished by recent declines in consumption of drugs, but still at a level perhaps not approached by any of the other major financial center countries.

If it is true that the United States remains the world's primary money laundering center, it is also true that the stepped-up pressure of Operation Royal Flush, Polar Cap and other investigations has resulted in a genuine instability in several drug trafficking organizations. These and other operations, described in the front part of this chapter, prove that it is indeed possible to deny traffickers access to drug proceeds and to inhibit their operations.

Notwithstanding the many laws and regulations already in place relative to drug money laundering, there is a need for further legislation, as well as the kinds of improved intelligence discussed earlier in this report. We still do not have internal agreement on how best to regulate wire-transfers. We have not resolved whether to ratify the Council of Europe Convention on asset forfeiture, which requires that the US give full faith and credit to foreign forfeiture orders. There is also a need for the US to decide what controls, if any, are needed to prevent the wholesale manipulation of the wire transfer mechanisms. Not least, we need a decision on how to regulate exchange houses, a challenge faced by almost all financial center governments.

CANADA is experiencing money laundering on a large scale. Canadian authorities estimate that approximately C$10 billion in drug money passes through the country annually. Drug money is largely generated by cocaine and cannabis sales, and is laundered through both the banking and non-banking financial systems. However, a major problem for traffickers is that their drug sales generate Canadian currency, which must be exchanged for US currency to be acceptable to the cartels.

In November 1991, a protocol to the 1971 extradition treaty between the US and Canada came into force. Among the features of the protocol is the replacement of the list of extraditable offenses with a dual criminality approach, which will allow extradition for a wider variety of criminal activity, including money laundering and some purely fiscal offenses. Money laundering has been a criminal offense since January 1, 1989. On October 1, 1991, an additional law (C-9) came into force that enables the government to require more extensive record-keeping of large cash transactions.

The law requires financial institutions (including securities firms, insurance companies, and currency exchanges) and professionals who handle cash on behalf of clients, e.g., lawyers and accountants, to maintain records of cash transactions of C$10,000 or more for five years. The law does not require that data be reported on a regular basis to government authorities. The law, however, does establish fines and prison terms for violations of its record-keeping provisions; these punishments can be applied to officers of corporations convicted of violations.

The law does not require reporting of suspicious transactions, but the Canadian Bankers Association (CBA) has adopted guidelines based on the "know your client" rule. Under these guidelines bank personnel are instructed not to accept suspicious cash deposits, or to report such acceptance to bank supervisors. The CBA says its members voluntarily report about 100 suspicious transactions to government authorities each month. Canada does not presently require that large amounts of currency be declared by individuals entering or departing Canada.

Canada passed its basic money laundering law (Bill C-61) in 1988, amending the criminal code governing the proceeds of crime to permit seizure of intangible assets, such as funds, something which law enforcement authorities could not previously do, and authorized them access to a wide variety of financial records. Laundering crime proceeds became a separate criminal offense. Although assets may be seized and forfeited without arrests and prosecution for substantive drug violations, in practice this is not happening. The money laundering law (C-61) is three years old and no prosecutions in Canada have occurred for money laundering. Asset seizures are minimal compared to the amount of known drug money generated in Canada and the amount of money laundering that is occurring.

AFRICA

As noted by the International Narcotics Control Board in its 1991 report, a number of African countries were beset in 1991 by political, economic and social upheavals and unrest, events which the INCB said impacted negatively on the drug control situation in the region.

CAMEROON, like **GABON, GUINEA, MADAGASCAR, THE MALDIVES, MAURITANIA, MAURITIUS, SIERRA LEONE, SUDAN, TOGO, TUNISIA, UGANDA AND ZAIRE** are not considered significant from a money laundering perspective.

GHANA is not an international money laundering center. However, there was a dramatic increase in 1991 in the number of Ghanians involved in heroin trafficking from Southwest and Southeast Asia into Western Europe, Canada and the US. In one case, a large Ghanian money laundering and trafficking group operating in the Netherlands and US used Ghanian couriers to take money from the US to Eastern Europe. This group also uses Western Union money transfers and freight shipments to move drug proceeds.

IVORY COAST (COTE d'IVOIRE) is a major financial center in West Africa which is probably the site of narcotics money laundering. Little is known about narcotics-related money laundering in Cote D'Ivoire. Cote D'Ivoire is probably both a transit and conversion point for money laundering.

Money laundering is a criminal offense. Banks are required to maintain records on large currency transactions and to report the data to the GOCI. Financial institutions are required to report "suspicious" transactions. There are controls on the amount of money that can be brought into or taken out of Cote D'Ivoire. Money laundering controls are not applied to non-banking institutions. Asset forfeiture laws have yet to be applied, in part because of the lack of experience with their use and in part because of the lack of clear responsibility for applying them.

KENYA While Nairobi is not a major money laundering center and we do no have any hard evidence of narcotics proceeds passing through Kenyan banks, US Customs reports that Nigerian traffickers move money through Kenya. Such proceeds could have been laundered through one of the many international banks located in Nairobi.

The Kenya shilling cannot be legally exported, but businessmen have no difficulties transferring funds, albeit at a premium above the official exchange rate, to the US, UK, Canada, Australia, Hong Kong, etc. In the final quarter of 1991, the government rescinded the requirement obligating individuals arriving in Kenya to declare the amount of money and other negotiable instruments they are carrying.

MOROCCO is a significant producer of cannabis and reportedly a transit point for cocaine enroute from South America to Algiers and Lisbon, and the hashish networks repatriate profits to Morocco. The profits, sometimes returned in the form of contraband, especially electronic equipment, are invested in businesses and real estate, and are also banked. But, there is no evidence that the financial system is used to launder drug money. There is limited bank secrecy, but Moroccan law permits officials to examine bank records for investigative purposes. There is discussion an offshore banking facility, which could increase the potential for money laundering.

NIGERIA is not an important international or regional financial center, nor is it a center for drug money laundering for non-Nigerians. However, Nigerian drug traffickers use the country's financial

system to convert drug proceeds into naira and to launder them for reuse elsewhere. Nigerian residents can maintain foreign currency-denominated domiciliary accounts at the country's 120 banks; they need not disclose the source of these funds. Nigeria also has a network of licensed foreign exchange bureaus authorized to trade in foreign currency notes and travellers' checks. Both the banks and exchange bureaus are susceptible to drug money laundering.

US Customs notes that Nigeria is fundamentally a cash oriented society, that there are no reporting requirements, and that GON fiscal policies are designed to encourage the flow of cash into Nigeria. Illegal casinos operate openly in Lagos, some owned by Lebanese, which may or may not be significant, Customs officials say, given the links by Lebanese to drug trafficking and money laundering.

Direct air links to Beirut have been established and Nigerians smuggling heroin have been arrested. Nigeria has made no significant progress in stemming the flow of drugs nor the proceeds from that trade into or out of Nigeria. Risk analysis of Nigerian commerce by US Customs officials indicates that legitimate trade is hindered while smuggling is enhanced by security problems at major ports. Customs says that processing of fraudulent trade documents, routed through international banks overseas, increases the potential for money laundering. US Customs also says that corruption, pilfering and inefficiency are problems in Nigeria.

Decree 48 of 1989, the national drug law enforcement decree, bars willful attempts to disguise the source of proceeds from narcotics trafficking and the international transfer of funds derived from or used in narcotics trafficking. Violation of the decree is a criminal offense, with stipulated penalties of up to 25 years imprisonment. However, there have been no prosecutions under this authority. There are regulations calling for the reporting of large cash transactions by banks, but enforcement of this rule, which was introduced during a currency reform and was not directed at money laundering, appears to have lapsed in recent years. While the import or export of Nigerian currency is prohibited, except in token amounts, there are no rules on the import or export of foreign currency. Incoming travellers are supposed to declare the import of foreign currency in amounts of dols 5,000 or more; again, however, enforcement of this rule appears to have lapsed.

The decree appears to have had no significant impact on the financial system. The government is liberalizing and deregulating the financial system in part to encourage the inflow of foreign funds and ward off capital flight. A depressed economy would further mitigate against adopting stringent reporting on foreign currency transactions.

SENEGAL continues as a transit point for drug trafficking between Asia, Europe and the Americas, but is not a factor in money laundering.

SOUTH AFRICA has been utilized by Zambian money launderers who exploit the large South African gold market.

TANZANIA is not known for any significant money laundering activity.

ZAMBIA has developed into a transit point for illicit drug traffick, and there are indications that organized crime has entered the drug trafficking business in Zambia. The drug trade has provided Zambia with foreign exchange, which is otherwise virtually unobtainable. Zambian drug profits are unknown to have been laundered through gold purchases on South Africa's bullion markets.

NEAR EAST AND SOUTH ASIA

INDIA is not an important financial center because of its foreign exchange controls; it is also not a major narcotics money laundering center. Money laundering is a criminal offense. Banks are required to maintain records of large currency transactions and to report them regularly to the reserve bank of India. There are controls on the amount of currency which can be brought into or out of India. Foreign exchange regulations apply to all financial institutions, banking and non-banking.

The GOI is not aggressive in enforcing existing drug-related asset seizure and forfeiture laws, which it may change. Political opposition is the major obstacle to change. All assets that can be shown to be derived from profits of narcotics transactions may be seized, including vehicles, real estate, and intangibles but loopholes let traffickers shield assets. Legitimate businesses used to launder drug money may not be seized. The law allows for civil as well as criminal forfeiture. The Narcotics Control Bureau, the Central Board of Customs and Excise, and the Indian Revenue Service are responsible for tracing and seizing assets, but do not have adequate powers to do so.

NEPAL is not an important regional financial center. Conclusive evidence of narcotics-related money laundering is lacking, but links may exist between drug traffickers in Nepal and money launderers in Hong Kong and Singapore. The GON is committed to maintaining control on the movement of hard currency in and out of the country; however, in practice, all hard currencies are available on the black market in Kathmandu. Indian government regulations keep the price of gold significantly above the world market price. As a result, gold smuggling into Nepal and from Nepal into India is well established. Although there has been an increase in gold seizures by the customs department at Tribhuvan International Airport in 1991, the GON has yet to confirm a connection between gold and narcotics trafficking.

Narcotics law enforcement has only recently begun to develop beyond the rudimentary level, and officials have yet to appreciate the significance of narcotics-related money laundering activities. Nepal's banking and foreign exchange regulations are not specifically

designed to control money laundering. Banks inform the Nepal Rastra Bank (Central Bank) of all foreign exchange transactions through a regular reporting system, but there are no laws or penalties for money laundering, nor has the government mounted any investigations. Nepal does not have asset seizure laws.

PAKISTAN is not a major center for international money laundering. The widespread use of the informal financial sector to transfer funds internationally makes it extremely difficult to estimate how much narcotics related money may be in Pakistan. Like most wealthy Pakistanis, major traffickers seem to prefer keeping the majority of their funds overseas. While it must be assumed that some funds generated from illicit activity find their way into the banking system, conventional wisdom holds that profits from Pakistan's drug trade are invested in real estate.

SRI LANKA is not a factor in narcotics money laundering, and lacks the sophisticated financial infrastructure needed to support such activity. This situation could change, however, as the Government seeks to attract foreign capital and to open financial markets to overseas involvement, notably by introducing a system of numbered bank accounts. Local awareness of this potential threat remains limited. Central bank officials said in November that the reponse to the numbered accounts had been quite low. There are no specific restrictions on money-laundering and local asset seizure legislation addresses only assets gained by public officials through bribery. Banking officials are, however, encouraged to report instances in which they suspect money-laundering is taking place.

Analysts also reviewed data on **AFGHANISTAN, BANGLADESH, BHUTAN, BRUNEI, and MALDIVES,** but found they were not significant from a money laundering perspective.

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FOREIGN ASSISTANCE TABLES

FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

(DOLLARS THOUSANDS)

	Table 5A 05:25 PM 25-Feb-92	DA	FL 480 ESF	FL 480 TITLE I 1/	FL 480 USDA TITLE I 2/	FL 480 TITLE II	FL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING FL480
AFRICA															
	Angola	596	-	-	-	6,547	-	-	-	-	0	-	-	7,443	596
	Benin	19,800	0	-	-	1,505	-	-	1,029	-	0	98	-	22,250	21,727
	Botswana	7,000	-	-	-	-	-	-	3,502	-	0	604	-	11,106	11,106
	Burkina	3,100	-	-	-	8,268	-	-	-	-	0	171	-	11,539	3,271
	Burundi	12,457	-	-	-	8	-	-	866	-	0	266	-	13,597	13,589
	Cameroon	18,443	-	-	-	-	-	-	3,628	-	0	457	-	22,569	22,569
	Cape Verde	2,300	0	-	-	408	-	-	507	-	0	224	-	3,439	3,031
	Central African Republic	150	-	-	-	308	-	-	2,446	-	0	180	-	3,084	2,776
	Chad	12,450	-	-	-	1,520	5,100	-	1,345	-	1,000	364	-	22,739	16,189
	Comoros	700	-	-	-	-	-	-	506	-	0	99	-	1,305	1,305
	Congo	648	-	0	2,000	60	-	-	581	-	0	226	-	3,515	1,495
	Cote d'Ivoire	5,820	3,000	0	10,000	1,700	-	-	805	-	1,000	296	-	22,619	10,919
	Djibouti	0	3,000	-	-	-	-	-	-	-	1,500	269	-	4,769	4,769
	Equatorial Guinea	850	-	-	-	-	-	-	737	-	0	167	-	1,734	1,734
	Ethiopia	1,790	-	-	-	51,370	-	-	-	-	0	-	-	53,160	1,790
	Gabon	0	-	-	-	-	-	-	2,680	-	0	83	-	2,763	2,763
	Gambia	11,415	-	-	-	2,189	-	-	1,097	-	250	117	-	15,068	12,879
	Ghana	25,640	-	-	-	4,500	10,000	-	1,683	-	500	282	-	43,065	29,065
	Guinea	28,500	-	-	-	-	10,000	-	1,176	-	500	212	-	40,388	30,388
	Guinea-Bissau	2,900	-	-	-	90	-	-	1,060	-	0	173	-	4,223	4,133
	Kenya	22,710	-	-	-	1,459	10,000	-	2,541	-	0	718	-	38,428	25,969
	Lesotho	10,522	-	-	-	971	-	-	1,865	-	0	119	-	13,487	12,516
	Liberia	0	-	-	-	43,499	-	-	-	-	0	-	-	43,499	0
	Madagascar	28,255	-	-	-	7,565	0	-	-	-	0	91	-	35,911	28,346
	Malawi	54,500	0	-	-	4,594	0	-	1,028	-	800	161	-	61,583	56,989
	Mali	31,500	-	-	-	3,022	6,300	-	4,175	-	0	248	-	45,315	35,063
	Mauritania	0	-	-	-	3,196	-	-	1,371	-	0	83	-	4,650	1,454
	Mauritius	4,300	-	-	-	33	-	-	-	-	0	0	-	4,333	4,300
	Mozambique	49,285	-	-	-	12,499	10,990	-	-	-	0	101	-	80,785	49,386
	Namibia	7,000	0	-	-	-	-	-	921	-	0	214	-	8,135	8,135
	Niger	22,005	-	-	-	834	-	-	3,551	-	1,223	437	-	28,430	27,596
	Nigeria	5,400	-	-	-	-	-	-	312	-	0	188	-	5,880	5,880
	Rwanda	33,190	-	-	-	-	-	-	775	-	0	69	-	34,035	34,035
	Sao Tome	200	-	-	-	518	-	-	341	-	0	74	-	1,233	715
	Senegal	20,175	1,000	-	-	2,525	0	-	2,665	-	3,000	594	-	29,959	27,434
	Seychelles	0	3,500	-	-	0	-	-	425	-	0	82	-	3,907	3,907
	Sierra Leone	500	-	5,000	0	1,350	-	-	2,317	-	1,200	265	-	10,632	4,302
	Somalia	0	-	-	-	3,071	-	-	-	-	0	-	-	3,071	0
	South Africa	37,900	0	-	-	-	-	-	-	-	0	-	-	37,900	37,900
	Sudan	0	-	-	-	39,271	0	-	-	-	0	-	-	39,271	0

FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

(DOLLARS THOUSANDS)

	Table IA 05:25 PM 25-Feb-92	DA	ESF	PL 480 TITLE I V	PL 480 USDA TITLE I S/	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL480
	Swaziland	8,250	-	-	-	250	-	-	1,355	-	0	131	-	10,136	9,836
	Tanzania	26,410	-	-	-	-	-	-	1,635	-	0	59	-	28,541	28,541
	Togo	7,705	-	-	-	3,055	-	-	2,508	-	0	135	-	13,453	10,398
	Uganda	41,353	-	-	-	1,949	7,100	-	654	-	0	220	-	51,275	42,227
	Zaire	12,975	-	9,000	0	-	7,000	-	3,589	-	0	5	-	33,520	17,520
	Zambia	666	0	-	-	-	0	-	-	-	0	0	-	666	666
	Zimbabwe	10,662	0	-	-	-	-	-	481	-	0	246	-	11,390	11,390
	S Africa Regional/SADCC	49,675	0	-	-	-	-	-	-	-	0	-	-	49,675	49,675
	Africa Regional	128,804	0	-	-	-	-	-	-	-	10,000	-	-	146,804	146,804
	EEDSOE	4,250	-	-	-	-	-	-	-	-	-	-	-	4,250	4,250
	EEDSOW	0	-	-	-	-	-	-	-	-	-	-	-	0	0
	Total	773,520	10,300	14,000	12,000	204,569	74,450	0	56,051	0	29,273	6,660	0	1,197,791	878,412
	(FDAF/Sahel)	[9,902]	-	-	-	-	-	-	-	-	-	-	-	[9,902]	[9,902]
ASIA															
	Afghanistan Humanitarian		30,000	-	-	20,083	-	-	-	0	-	-	-	50,083	30,000
	Bangladesh		0	-	-	23,653	69,800	-	-	-	-	481	-	93,484	481
	Bhutan	0	-	-	-	271	-	-	-	-	-	-	-	271	0
	Cook Islands	0	0	0	0	0	0	0	90	-	-	-	-	90	90
	Cambodia	18,000	7,000	-	-	0	-	-	-	-	-	-	-	25,000	25,000
	Fiji	0	300	-	-	-	-	-	1,535	-	-	0	-	1,835	1,835
	India	29,876	-	-	-	89,786	-	-	-	-	-	229	-	119,891	31,105
	Indonesia	54,972	5,000	-	-	5,308	-	-	-	-	25,000	2,094	-	92,374	87,066
	Kiribati	0	0	0	0	0	0	0	452					452	452
	Korea	0	0	0	0	0	0	-	-	-	-	1,000	-	1,000	1,000
	Laos	0	0	0	0	0	0	1,300	314	-	-	-	-	1,614	1,614
	Maldives	0	0	0	0	0	0	-	-	-	-	58	-	58	58
	Malaysia	0	0	0	0	0	0	-	-	-	-	-	-	0	0
	Marshall Islands	0	0	0	0	0	0	0	587	-	-	-	-	587	587
	Micronesia	0	-	-	-	-	-	0	1,911	-	-	0	-	1,911	1,911
	Mongolia	2,000	0	-	-	3,021	-	-	618	-	-	0	-	6,339	2,618
	Nepal	19,480	-	-	-	999	-	-	2,102	-	-	192	-	22,753	21,754
	Pakistan	0	60,000	-	-	-	-	4,650	610	-	0	0	-	94,260	94,260
	Papua New Guinea	0	-	-	-	-	-	-	1,682	-	-	150	-	1,832	1,832
	Philippines	40,344	90,000	0	15,000	11,450	-	-	692	160,000	200,000	2,835	-	520,121	498,671
	Singapore	0	-	-	-	-	-	-	-	-	-	20	-	20	20
	Solomon Islands	0	-	-	-	-	-	-	880	-	-	46	-	926	926
	Sri Lanka	11,090	-	12,200	0	-	45,900	-	584	-	-	245	-	70,019	11,919
	Thailand	1,222	2,000	-	-	1,015	-	4,000	3,570	-	-	680	-	12,902	11,887
	Affected Thai Villages	0	-	-	-		-	-	-	-	-	-	-	0	0
	Tonga	0	-	-	-	-	-	-	736	-	-	75	-	811	811

FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS

DOLLARS THOUSANDS

	Table 5A 05:35 PM 23-Feb-92	FY 1991 Actual Appropriations														
		PL 480														
		DA	ESF	TITLE I 1/	USDA TITLE I 2/	TITLE II	TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL480
Tuvalu		0	-	-	-	-	-	-	34	-	-	-	-	34	34
Vanuatu		0	-	-	-	-	-	-	97	-	-	0	-	97	97
Western Samoa		0	-	-	-	-	-	-	953	-	-	-	-	953	953
ASEAN		0	-	-	-	-	-	-	-	-	-	-	-	0	0
South Pacific		5,621	10,000	-	-	-	-	-	0	-	-	-	-	15,621	15,621
Asia Regional		10,890	0	-	-	-	-	-	-	-	-	-	-	10,890	10,890
Total Asia		384,295	220,800	12,200	15,000	169,896	115,500	10,000	17,245	180,000	225,000	8,029	0	1,368,872	783,376
NEAR EAST																
Algeria		0	-	-	-	-	-	-	-	-	-	194	-	194	194
Egypt		0	815,000	0	165,000	-	-	-	-	-	1,300,000	1,695	-	2,291,695	2,115,695
Israel		0	1,850,000	-	-	-	-	-	-	-	1,800,000	-	-	3,650,000	3,650,000
Jordan		0	35,000	-	-	12,384	-	-	-	-	20,000	1,245	-	68,629	56,245
Lebanon		5,775	3,750	-	-	8,088	-	-	-	-	-	0	-	19,613	9,525
Morocco		21,049	20,000	0	25,000	3,358	-	-	1,681	-	43,000	1,225	-	125,441	97,055
Oman		0	15,000	-	-	-	-	-	-	-	3,000	240	-	18,240	18,740
Tunisia		0	5,000	15,000	0	-	-	-	1,000	-	10,000	1,870	-	30,870	15,870
West Bank/Gaza		0	12,000	-	-	2,250	-	-	-	-	-	-	-	14,250	12,000
Yemen		2,900	-	0	5,000	-	-	-	241	-	-	58	-	8,249	3,349
Near East Regional		10,945	7,840	-	-	-	-	850	-	-	-	-	-	27,545	27,545
Total		49,670	2,761,250	15,000	205,000	27,810	0	850	3,071	0	3,178,000	6,607	0	6,244,614	5,996,000
EUROPE																
Albania		0	0	0	0	321	0	0	18	0	0	0	0	340	18
Austria		0	0	0	0	0	0	0	-	0	0	26	-	26	26
Baltics		0	0	0	0	0	0	0	18	0	0	0	0	18	18
Bulgaria		0	-	-	-	-	-	-	627	-	-	0	-	627	627
Cyprus		0	15,000	-	-	-	-	-	-	-	-	-	-	15,000	15,000
Czechoslovakia		0	-	-	-	-	-	-	953	-	-	310	-	1,263	1,263
Finland		0	-	-	-	-	-	-	-	-	-	15	-	15	15
Greece		0	-	-	-	-	-	-	-	-	350,000	500	-	350,500	350,500
Hungary		0	-	-	-	-	-	-	1,641	-	-	293	-	1,934	1,934
Iceland		0	0	-	-	-	-	-	-	-	-	-	-	0	0
Ireland		0	20,000	-	-	-	-	-	-	-	-	11	-	20,011	20,011
Luxembourg		0	-	-	-	-	-	-	-	-	-	-	-	0	0
Malta		0	-	-	-	-	-	-	30	-	-	23	-	53	53
Poland		0	-	-	-	-	-	-	2,306	-	-	407	-	2,713	2,713
Portugal		0	42,000	-	-	-	-	-	-	-	100,000	957	-	142,957	142,957
Romania		3,000	-	-	-	-	-	-	448	-	-	-	-	3,448	3,448
Spain		0	-	-	-	-	-	-	-	-	-	1,472	-	1,472	1,472
Turkey		0	350,000	-	-	-	-	350	-	-	350,000	3,690	-	854,040	854,040

FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS
(DOLLARS THOUSANDS)

Table 5A 05:25 PM 23-Feb-92	DA	PL 480 ESF	PL 480 TITLE I 1/	PL 480 USDA TITLE I 2/	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL480
USSR (Armenian Earthquak c =		0	-	-	-	-	-	-	0	-	-	-	0	0
Yugoslavia	0	-	-	-	-	-	-	-	-	-	87	-	87	87
Eastern Europe Regional	7,000	11,000	-	-	-	-	-	-	369,675	-	-	-	387,675	387,675
Total	10,000	338,000	0	0	324	0	350	6,058	369,675	1,000,000	7,853	0	1,731,920	1,731,596
LATIN AMERICA & CARIBBEAN														
Argentina	0	-	-	-	-	-	-	-	-	3,500	528	-	4,028	4,028
Bahamas	0	-	-	-	-	-	1,200	-	-	-	119	-	1,319	1,319
Belize	6,359	-	-	-	-	-	-	1,402	-	500	118	-	8,379	8,379
Bolivia	23,181	76,750	-	-	14,348	22,400	15,700	1,381	-	35,000	899	-	189,659	152,911
Brazil	0	-	-	-	1,064	-	2,500	-	-	-	79	-	3,643	2,579
Chile	400	-	-	-	-	-	-	504	-	3,000	298	-	4,202	4,202
Colombia	0	49,750	-	-	-	-	20,000	-	-	47,000	2,593	-	119,343	119,343
Costa Rica	11,578	25,000	15,000	0	-	-	-	2,063	-	0	336	-	53,977	38,977
Dominican Republic	10,606	-	-	-	5,007	-	-	2,282	-	1,000	681	-	19,576	14,569
Ecuador	13,697	-	-	-	592	-	1,500	2,540	-	2,000	815	-	21,143	20,551
El Salvador	54,656	120,000	35,000	0	5,193	-	-	-	-	65,945	1,044	-	281,838	241,645
Guatemala	28,576	30,000	0	18,000	9,968	-	-	2,590	-	0	414	-	89,548	61,580
Guyana	0	2,300	6,910	0	-	-	-	0	-	0	36	-	9,246	2,336
Haiti	37,465	12,000	-	-	8,499	20,600	-	1,017	-	1,500	280	-	81,362	52,263
Honduras	33,275	50,000	-	-	6,264	14,000	-	3,387	-	31,900	1,569	-	140,395	120,131
Jamaica	14,044	10,000	40,000	0	3,169	-	1,400	2,436	-	1,000	914	-	72,963	29,794
Mexico	0	-	-	-	544	-	19,300	-	-	-	620	-	20,464	19,920
Nicaragua	10,816	175,000	0	28,800	1,906	-	-	374	-	-	-	-	216,896	186,190
Panama	0	0	0	15,000	41	-	-	503	-	-	-	-	15,544	503
Paraguay	0	-	-	-	-	-	-	2,347	-	-	165	-	2,512	2,512
Peru	7,482	60,000	-	-	40,864	30,000	19,000	-	-	23,950	524	-	181,820	110,956
Suriname	0	-	-	-	-	-	-	-	-	-	0	-	0	0
Trinidad/Tobago	0	-	-	-	-	-	-	-	-	500	65	-	565	565
Uruguay	0	-	-	-	-	-	-	520	-	-	491	-	1,011	1,011
Venezuela	0	-	-	-	-	-	1,000	-	-	-	389	-	1,389	1,389
Nicaragua/Panama Admin Ex	0	0	-	-	-	-	-	-	-	-	-	-	0	0
Caribbean Regional	18,394	1,850	-	-	-	-	-	2,704	-	4,500	444	-	27,892	27,892
Central American Reg	2,600	-	-	-	-	-	-	-	-	-	-	-	2,600	2,600
ROCAP	16,653	0	-	-	-	-	-	-	-	-	-	-	16,653	16,653
LAC Regional	73,772	9,500	-	-	-	-	6,350	-	-	-	-	-	89,622	89,622
PACAMS	0	-	-	-	-	-	-	-	-	-	2,355	-	2,355	2,355
Andean Narcotics Initiative	0	-	-	-	-	-	-	-	-	-	-	-	0	0
Total	363,554	622,150	96,910	61,800	97,459	87,000	87,950	26,049	0	221,295	15,776	0	1,679,943	1,336,774
RESEARCH & DEVELOPMENT														

FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS
(DOLLARS THOUSANDS)

Table 5A 05:25 PM 23-Feb-92	DA	PL 480 ESF	PL 480 TITLE I 1/	PL 480 USDA TITLE I 2/	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL480
Agriculture	40,030	-	-	-	-	-	-	-	-	-	-	-	40,030	40,030
Education	7,379	-	-	-	-	-	-	-	-	-	-	-	7,379	7,379
Energy & Infrastructure	23,403	-	-	-	-	-	-	-	-	-	-	-	23,403	23,403
Environment & Natural Reso	15,094	-	-	-	-	-	-	-	-	-	-	-	15,094	15,094
Health	101,554	-	-	-	-	-	-	-	-	-	-	-	101,554	101,554
Nutrition	8,484	-	-	-	-	-	-	-	-	-	-	-	8,484	8,484
Population	204,792	-	-	-	-	-	-	-	-	-	-	-	204,792	204,792
Economic & Institutional Dev	12,108	-	-	-	-	-	-	-	-	-	-	-	12,108	12,108
Center for Univ. Coop. in Dev	8,447	-	-	-	-	-	-	-	-	-	-	-	8,447	8,447
Research	8,624	-	-	-	-	-	-	-	-	-	-	-	8,624	8,624
Israel Cooperation	7,499	-	-	-	-	-	-	-	-	-	-	-	7,499	7,499
International Training	2,799	-	-	-	-	-	-	-	-	-	-	-	2,799	2,799
Program Office	1,960	-	-	-	-	-	-	-	0	-	-	-	1,960	1,960
CGIARS	42,000	-	-	-	-	-	-	-	-	-	-	-	42,000	42,000
Women in Development	5,082	-	-	-	-	-	-	-	-	-	-	-	5,082	5,082
Total	489,255	0	0	0	0	0	0	0	0	0	0	0	489,255	489,255
FHA														
Food for Peace	174	0	0	0	0	0	0	0	0	0	0	0	174	174
PVC	46,185	0	0	0	0	0	0	0	0	0	0	0	46,185	46,185
Biden Pell	[2,500]	0	0	0	0	0	0	0	0	0	0	0	[2,500]	[2,500]
Program Mgt Support	11,928	0	0	0	0	0	0	0	0	0	0	0	11,928	11,928
Total	58,287	0	0	0	0	0	0	0	0	0	0	0	58,287	58,287
PRIVATE ENTERPRISE														
Investment	900	-	-	-	-	-	-	-	-	-	-	-	900	900
Emerging Markets	7,200	-	-	-	-	-	-	-	0	-	-	-	7,200	7,200
Finance & Program Managem	0	-	-	-	-	-	-	-	-	-	-	-	0	0
International Business Staff	1,150	-	-	-	-	-	-	-	-	-	-	-	1,150	1,150
Small, Micro & Informal Ent.	3,706	-	-	-	-	-	-	-	-	-	-	-	3,706	3,706
Housing & Urban Developmer	4,350	-	-	-	-	-	-	-	-	-	-	-	4,350	4,350
Total Private Enterprise	17,306	0	0	0	0	0	0	0	0	0	0	0	17,306	17,306
POLICY DIRECTORATE														
Evaluation/Development Info.	5,871	-	-	-	-	-	-	-	-	-	-	-	5,871	5,871
Policy, Planning & Coordinati	2,778	-	-	-	-	-	-	-	-	-	-	-	2,778	2,778
Total Policy	8,649	0	0	0	0	0	0	0	0	0	0	0	8,649	8,649
OFDA	10,000	0	-	-	-	-	-	-	-	-	-	-	10,000	10,000
Other	1,624	-	-	-	-	-	50,[illegible]	78,726	-	51,560	463	-	181,273	181,273
Hostages in Iraq	0	10,000	-	-	-	-	-	-	-	-	-	-	10,000	10,000

FY 1991 U.S. ECONOMIC AND MILITARY ASSISTANCE - ACTUAL APPROPRIATIONS
(DOLLARS THOUSANDS)

Table 5A
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	DA	PL 480 ESF	PL 480 TITLE I 1/	PL 480 USDA TITLE I 2/	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL480
Program Support	20,323													
P.L.480:														0
Reserve	–	–	–	–	0	–	–	–	–	–	–	–	0	0
World Food Program	–	–	–	–	0	–	–	–	–	–	–	–	0	0
Stock Adjustment	–	–	–	–	(53,502)	–	–	–	–	–	–	–	(53,502)	0
Freight Costs	–	–	0	30,089	352,408	0	–	–	–	–	–	–	382,497	0
Initial Payment	–	–	0	(1,500)	–	–	–	–	–	–	–	–	(1,500)	0
Farmer to Farmer	–	–	–	–	1,392	600	–	–	–	–	–	–	1,992	0
PVO Administration	–	–	–	–	10,000	–	–	–	–	–	–	–	10,000	0
Buydown	–	–	–	–	49,063	–	–	–	–	–	–	–	49,063	0
Forward Funding	–	–	–	–	(38,835)	–	–	–	–	–	–	–	(38,835)	0
DOT Reflows	–	–	–	–	(10,000)	–	–	–	–	–	–	–	(10,000)	0
BILATERAL ASSISTANCE														
Africa	773,520	10,300	14,000	12,000	208,969	74,400	0	56,851	0	29,273	8,468	0	1,187,781	878,412
Asia	184,285	238,800	12,200	15,000	169,896	115,500	10,000	17,245	160,000	225,000	8,029	0	11,725,984	11,413,288
Near East	48,670	2,761,550	15,000	205,000	27,916	0	800	3,071	0	3,176,000	6,807	0		(247,916)
Europe	10,000	338,000	0	0	324	–	350	6,058	369,675	1,000,000	7,853	–	1,732,260	1,731,936
Latin America & Caribbean	363,554	622,150	96,910	61,800	97,459	87,000	67,950	26,049	–	221,295	15,776	–	1,679,943	1,336,774
Central PL 480	0	0	0	28,589	310,526	600	0	0	0	0	0	0	339,715	0
Research & Development	489,255	0	0	0	0	0	0	0	0	0	0	0	489,255	489,255
Food & Humanitarian Assista	58,287	–	–	–	–	–	–	–	–	–	–	–	58,287	58,287
Policy Directorate	8,649	–	–	–	–	–	–	–	–	–	–	–	8,649	8,649
Private Enterprise	17,306	0	0	0	0	0	0	0	0	0	0	0		0
Office of Foreign Disaster Ass	10,000	0	–	–	–	–	–	–	–	–	–	–	10,000	10,000
Other	21,947	10,000	–	–	–	–	50,900	76,726	–	51,560	463	–	211,596	0

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B
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	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	OTHER IMET MILITARY	TOTAL	TOTAL EXCLUDING PL 480
AFRICA													
Angola	13,000	–	–	2,708	–	–	–	–	–	–	– –	15,708	13,000
Benin	10,000	–	–	1,357	–	–	1,641	–	–	–	125 –	13,123	11,766
Botswana	7,000	–	–	–	–	–	3,276	–	–	1,000	400 –	11,676	11,676
Burkina	3,000	–	–	6,212	–	–	–	–	–	–	100 –	9,312	3,100
Burundi	15,000	–	–	–	–	–	946	–	–	–	200 –	16,146	16,146
Cameroon	24,000	–	–	92	–	–	3,676	–	–	–	325 –	28,093	28,001
Cape Verde	3,000	–	–	–	–	–	942	–	–	–	100 –	4,042	4,042
Central African Republic	3,000	–	–	–	–	–	2,575	–	–	–	255 –	5,830	5,830
Chad	13,000	–	–	221	0	–	1,515	–	–	2,000	380 –	17,116	16,895
Comoros	1,670	–	–	–	–	–	508	–	–	–	75 –	2,253	2,253
Congo	1,000	–	5,000	144	–	–	837	–	–	–	165 –	7,086	1,942
Cote d'Ivoire	7,000	4,000	10,000	–	–	–	997	–	–	–	200 –	22,197	12,197
Djibouti	–	3,000	–	–	–	–	–	–	–	2,000	175 –	5,175	5,175
Equatorial Guinea	0	–	–	–	–	–	908	–	–	–	100 –	1,008	1,008
Ethiopia	40,000	–	–	19,423	15,000	–	–	–	–	–	– –	74,423	40,000
Gabon	–	–	–	–	–	–	2,549	–	–	–	150 –	2,699	2,699
Gambia	8,000	–	–	1,383	–	–	981	–	–	–	125 –	10,489	9,106
Ghana	28,000	–	–	6,758	10,000	–	1,912	–	–	–	175 –	46,845	30,087
Guinea	26,000	–	–	775	10,000	–	1,278	–	–	–	175 –	38,228	27,453
Guinea-Bissau	5,000	–	–	491	–	–	959	–	–	–	150 –	6,600	6,109
Kenya	19,100	–	–	2,781	0	–	2,492	–	–	4,000	1,100 –	29,473	26,692
Lesotho	5,000	–	–	1,218	–	–	2,059	–	–	–	75 –	8,352	7,134
Liberia	–	–	–	18,041	–	–	–	–	–	–	100 –	18,141	100
Madagascar	40,000	–	–	2,400	0	–	–	–	–	–	100 –	42,500	40,100
Malawi	30,000	–	–	0	–	–	1,717	–	–	1,000	250 –	32,967	32,967
Mali	33,000	–	–	715	3,200	–	3,839	–	–	–	175 –	40,929	37,814
Mauritania	–	–	–	463	–	–	1,724	–	–	–	– –	2,187	1,724
Mauritius	1,500	–	–	–	–	–	–	–	–	–	100 –	1,600	1,600
Mozambique	36,000	–	–	5,257	27,100	–	–	–	–	–	100 –	68,457	36,100
Namibia	7,000	5,000	–	–	–	–	1,187	–	–	–	180 –	13,367	13,367
Niger	26,000	–	–	1,233	–	–	3,332	–	–	500	300 –	31,365	30,132
Nigeria	13,000	–	–	–	–	–	853	–	–	–	500 –	14,353	14,353
Rwanda	20,000	–	–	–	–	–	814	–	–	–	100 –	20,914	20,914
Sao Tome	300	–	–	597	–	–	427	–	–	–	125 –	1,449	852
Senegal	20,000	3,000	–	0	22,100	–	2,618	–	–	5,000	525 –	53,241	31,141
Seychelles	–	3,300	–	–	–	–	370	–	–	–	100 –	3,770	3,770
Sierra Leone	540	–	7,000	2,791	–	–	2,127	–	–	–	200 –	12,658	2,867
Somalia	–	–	–	11,885	–	–	–	–	–	–	300 –	12,185	300
South Africa	80,000	–	–	–	–	–	–	–	–	–	– –	80,000	80,000

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B 05:00 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	OTHER IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Sudan	-	-	-	2,233	-	-	-	-	-	-	300	-	2,533	300
Swaziland	8,100	-	-	-	-	-	1,388	-	-	-	100	-	9,588	9,588
Tanzania	30,000	-	-	-	0	-	1,010	-	-	-	150	-	31,160	31,160
Togo	10,000	-	-	3,443	-	-	2,733	-	-	-	150	-	16,326	12,883
Uganda	38,000	-	-	3,186	10,000	-	818	-	-	-	200	-	52,204	39,018
Zaire	0	-	-	-	0	-	963	-	-	3,000	300	-	4,263	4,263
Zambia	10,000	-	-	1,962	18,000	-	-	-	-	-	-	-	29,962	10,000
Zimbabwe	10,000	-	-	-	-	-	952	-	-	-	300	-	11,252	11,252
S Africa Regional/SADCC	50,266	-	-	-	-	-	-	-	-	-	-	-	50,266	50,266
Africa Regional	95,590	10,000	-	-	-	-	-	-	-	6,000	-	-	111,590	111,590
REDSO/E	3,548	0	0	0	0	0	0	0	0	0	0	0	3,548	3,548
REDSO/W	5,388	0	0	0	0	0	0	0	0	0	0	0	5,388	5,388
Total	800,000	28,300	22,000	97,769	115,600	-	56,921	-	-	24,500	9,145	-	1,154,035	918,866
ASIA														
Afghanistan Humanitarian 1/	30,000	30,000	-	4,399	-	-	-	-	-	-	-	-	64,399	60,000
Bangladesh	62,000	-	-	16,800	58,200	-	-	-	-	-	350	-	137,350	62,350
Cambodia	20,000	5,000	-	0	-	-	-	-	-	-	-	-	25,000	25,000
Cook Islands	0	0	0	0	0	0	131	0	0	0	0	0	131	131
Fiji	-	300	-	-	-	-	1,541	-	-	300	50	-	2,191	2,191
India	22,000	-	-	78,019	25,000	-	-	-	-	-	345	-	125,364	22,345
Indonesia	45,250	5,000	-	6,612	-	-	-	-	-	-	2,300	-	59,162	52,550
Kiribati	0	0	0	0	0	0	514	0	0	0	0	0	514	514
Korea	-	-	-	-	-	-	-	-	-	-	800	-	800	800
Laos	-	-	-	-	-	2,000	220	-	-	-	-	-	2,220	2,220
Maldives	-	-	-	-	-	-	-	-	-	-	70	-	70	70
Malaysia	-	-	-	-	-	-	-	-	-	-	1,100	-	1,100	1,100
Marshall Islands	0	0	0	0	0	0	671	0	0	0	0	0	671	671
Micronesia	-	-	-	-	-	-	1,770	-	-	-	-	-	1,770	1,770
Mongolia	4,000	-	-	-	-	-	774	-	-	-	-	-	4,774	4,774
Nepal	15,000	-	-	-	-	-	2,143	-	-	500	185	-	17,828	17,828
Pakistan 2/	25,000	100,000	20,000	-	-	7,500	853	-	(8,961)	106,595	915	-	260,863	240,863
Papua New Guinea	-	-	-	-	-	-	1,772	-	-	-	80	-	1,852	1,852
Philippines	40,000	120,000	20,000	14,872	-	-	907	180,000	-	200,000	2,800	-	558,579	523,707
Singapore	-	-	-	-	-	-	-	-	-	-	15	-	15	15
Solomon Islands	-	-	-	-	-	-	972	-	-	-	50	-	1,022	1,022
Sri Lanka	19,300	-	5,000	-	45,800	-	711	-	-	-	200	-	71,111	20,211
Thailand	12,300	-	-	1,806	-	5,000	3,786	-	-	-	2,500	-	25,486	23,592
Affected Thai Villages	-	2,500	-	-	-	-	-	-	-	-	-	-	2,500	2,500
Tonga	-	-	-	-	-	-	719	-	-	-	50	-	769	769
Tuvalu	-	-	-	-	-	-	68	-	-	-	-	-	68	68

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B
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	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	OTHER IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Vanuatu	-	-	-	-	-	-	150	-	-	-	50	-	200	200
Western Samoa	-	-	-	-	-	-	974	-	-	-	-	-	974	974
ASEAN	3,300	-	-	-	-	-	-	-	-	-	-	-	3,300	3,300
South Pacific	9,250	10,000	-	-	-	-	0	-	-	-	-	-	19,250	19,250
Asia Regional	22,712	-	-	-	-	-	-	-	-	-	-	-	22,712	22,712
Total	330,112	272,800	45,000	120,608	129,100	14,500	18,661	100,000	0	307,295	11,860	0	1,410,036	1,115,228
NEAR EAST														
Algeria	-	-	-	-	-	-	-	-	-	-	150	-	150	150
Egypt	-	815,000	150,000	-	-	-	-	-	-	1,300,000	1,800	-	2,266,800	2,116,800
Iraq (Kurdish Refugees)	0	0	0	8,527	0	0	0	0	0	0	0	0	8,527	0
Israel	-	1,200,000	-	-	-	-	-	-	-	1,800,000	-	-	3,000,000	3,000,000
Jordan	-	30,000	20,000	-	-	-	-	-	-	25,000	2,000	-	77,000	57,000
Lebanon	4,800	2,000	-	10,495	-	-	-	-	-	-	400	-	16,895	6,400
Morocco	23,000	12,000	35,000	3,348	-	-	1,802	-	-	40,000	1,150	-	116,298	77,952
Oman	-	15,000	-	-	-	-	-	-	-	5,000	100	-	20,100	20,100
Tunisia	-	3,000	10,000	-	-	-	1,186	-	-	10,000	1,250	-	25,436	15,436
West Bank/Gaza	-	12,000	-	1,118	-	-	-	-	-	-	-	-	13,118	12,000
Yemen	3,500	-	10,000	-	-	-	951	-	-	-	-	-	13,951	3,951
Near East Regional	13,200	6,000	-	-	-	2,000	-	-	-	-	-	-	27,200	27,200
Total	49,500	2,095,000	225,000	23,486	0	2,000	3,938	0	0	3,180,000	6,850	0	5,585,483	5,336,997
EUROPE														
Albania	0	0	7,500	256	0	0	598	0	0	0	0	0	8,354	598
Armenia	0	0	0	0	0	0	720	0	0	0	0	0	720	720
Baltics	0	0	0	0	0	0	1,068	0	0	0	0	0	1,068	1,068
Bulgaria	-	-	-	-	-	-	644	-	-	-	-	-	644	644
Cyprus	-	3,000	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Czechoslovakia	-	-	-	-	-	-	1,437	-	-	-	75	-	1,512	1,512
Greece	-	-	-	-	-	-	-	-	[280,000]	65,000	500	-	65,500	65,500
Hungary	-	-	-	-	-	-	2,237	-	-	-	75	-	2,312	2,312
Malta	-	-	-	-	-	-	79	-	-	-	65	-	144	144
Poland	-	-	10,000	-	-	-	2,952	-	-	-	75	-	13,027	3,027
Portugal	-	40,000	-	-	-	-	9	-	[22,000]	103,000	2,850	-	145,850	145,850
Romania	-	-	-	-	-	-	596	-	-	-	-	-	596	596
Spain	-	-	-	-	-	-	-	-	-	-	1,200	-	1,200	1,200
Turkey	-	75,000	-	-	-	400	-	-	-	625,000	3,500	-	703,900	703,900
Ukraine	-	-	-	-	-	-	958	-	-	-	-	-	958	958
Yugoslavia	-	-	-	-	-	-	-	-	-	-	100	-	100	100
Eastern Europe Regional	-	-	-	-	-	-	-	400,000	-	-	-	-	400,000	400,000
Total	0	118,000	17,500	256	0	400	11,310	400,000	0	793,000	8,440	0	1,348,906	1,331,150

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B 05:00 PM 23-Feb-92	DA	* ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	OTHER DIRECT	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
NEW INDEPENDENT STATES	0	0	0	0	0	0	1,135	150,000	0	0	0	0	151,135	151,135
LATIN AMERICA & CARIBBEAN														
Argentina	-	-	-	-	-	-	454	-	-	1,000	200	-	1,654	1,654
Bahamas	-	-	-	-	-	1,200	-	-	-	-	125	-	1,325	1,325
Belize	7,500	-	-	-	-	-	1,254	-	-	500	125	-	9,379	9,379
Bolivia	22,500	25,000	-	14,317	25,100	15,700	1,684	-	-	40,000	900	-	145,201	105,784
Brazil	-	-	-	-	-	3,500	-	-	-	-	150	-	3,650	3,650
Chile	450	-	-	-	-	-	767	-	-	1,000	150	-	2,317	2,317
Colombia	-	-	-	-	-	30,000	-	-	-	58,000	2,300	-	90,300	90,300
Costa Rica	8,000	20,000	10,000	-	-	-	2,002	-	-	2,360	220	-	42,582	32,582
Dominican Republic	13,000	5,000	10,000	4,219	-	-	2,283	-	-	2,000	900	-	37,402	23,183
Ecuador	15,000	-	-	882	-	3,000	2,551	-	-	5,000	800	-	27,233	26,351
El Salvador	55,000	120,000	30,000	4,560	-	-	-	-	-	85,000	1,400	-	295,960	261,400
Guatemala	28,225	30,000	15,000	10,211	-	-	2,686	-	-	2,000	400	-	88,522	63,971
Guyana	-	2,000	5,000	-	-	-	0	-	-	-	50	-	7,050	2,050
Haiti	38,750	24,000	-	637	50,000	-	435	-	-	2,250	625	-	86,687	64,050
Honduras	41,000	50,000	-	6,273	14,000	-	3,274	-	-	19,100	1,100	-	134,747	114,474
Jamaica	14,500	15,000	30,000	1,750	-	1,500	2,799	-	-	3,000	450	-	70,509	38,749
Mexico	-	-	-	598	-	26,000	-	-	-	-	430	-	27,028	26,430
Nicaragua	22,000	150,000	25,000	3,867	-	-	721	-	-	-	-	-	201,578	172,721
Panama	17,000	10,000	4,000	29	-	-	788	-	-	-	-	-	31,817	27,788
Paraguay	-	-	-	120	-	-	2,429	-	-	500	175	-	3,224	3,104
Peru	15,700	-	-	49,822	30,000	-	0	-	-	39,000	900	-	135,422	55,600
Trinidad/Tobago	-	-	-	-	-	-	-	-	-	500	95	-	595	595
Uruguay	-	-	-	-	-	-	812	-	-	1,000	325	-	2,137	2,137
Venezuela	-	-	-	-	-	2,000	-	-	-	-	175	-	2,175	2,175
Caribbean Regional	20,800	3,000	-	-	-	-	2,520	-	-	4,245	700	-	31,265	31,265
ROCAP	18,000	-	-	-	-	-	-	-	-	-	-	-	18,000	18,000
LAC Regional	68,825	9,800	-	-	-	27,000	-	-	-	-	-	-	103,725	103,775
PACAMS	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000	1,000
Andean Narcotics Initiative	-	250,000	-	-	-	-	-	-	-	-	-	-	250,000	250,000
Total	418,250	713,800	129,000	97,295	69,100	99,800	30,990	-	-	268,605	13,745	-	1,842,535	1,527,140
RESEARCH & DEVELOPMENT														
Agriculture	30,123	-	-	-	-	-	-	-	-	-	-	-	30,123	30,123
Education	5,975	-	-	-	-	-	-	-	-	-	-	-	5,975	5,975
Energy & Infrastructure	15,000	-	-	-	-	-	-	-	-	-	-	-	15,000	15,000
Environment & Nat Res	17,000	-	-	-	-	-	-	-	-	-	-	-	17,000	17,000
Health	72,810	-	-	-	-	-	-	-	-	-	-	-	72,810	72,810

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B 05:00 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Nutrition	7,300	-	-	-	-	-	-	-	-	-	-	-	7,300	7,300
Population	127,449	-	-	-	-	-	-	-	-	-	-	-	127,449	127,449
Economic & Institutional Dev	8,900	-	-	-	-	-	-	-	-	-	-	-	8,900	8,900
Center for Univ. Cooper. in De	8,000	-	-	-	-	-	-	-	-	-	-	-	8,000	8,000
Office of Research	8,766	-	-	-	-	-	-	-	-	-	-	-	8,766	8,766
Israel Cooperation	7,500	-	-	-	-	-	-	-	-	-	-	-	7,500	7,500
International Training	2,950	-	-	-	-	-	-	-	-	-	-	-	2,950	2,950
Program Office	1,400	-	-	-	-	-	-	-	-	-	-	-	1,400	1,400
CGIARS	77,110	-	-	-	-	-	-	-	-	-	-	-	77,110	77,110
Women in Development	5,000	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Total	395,283	0	0	0	0	0	0	0	0	0	0	0	395,283	395,283
FOOD & HUMANITARIAN ASSISTANCE														
Food for Peace	300	-	-	-	-	-	-	-	-	-	-	-	300	300
Private and Voluntary Cooper	49,238	-	-	-	-	-	-	-	-	-	-	-	49,238	49,238
Biden Pell	[2,500]	-	-	-	-	-	-	-	-	-	-	-	[2,500]	[2,500]
Program Mgt Support	6,462	-	-	-	-	-	-	-	-	-	-	-	6,462	6,462
Total	56,000	-	-	-	-	-	-	-	-	-	-	-	56,000	56,000
PRIVATE ENTERPRISE														
Investment	1,500	-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Emerging Markets	9,350	-	-	-	-	-	-	-	-	-	-	-	9,350	9,350
Finance & Program Managem	1,974	-	-	-	-	-	-	-	-	-	-	-	1,974	1,974
International Business Staff	2,554	-	-	-	-	-	-	-	-	-	-	-	2,554	2,554
Small, Micro & Informal Ent.	7,946	-	-	-	-	-	-	-	-	-	-	-	7,946	7,946
Housing & Urban Developmer	3,500	-	-	-	-	-	-	-	-	-	-	-	3,500	3,500
Total	26,824	0	0	0	0	0	0	0	0	0	0	0	26,824	26,824
POLICY DIRECTORATE														
Evaluation/Development Info.	5,300	-	-	-	-	-	-	-	-	-	-	-	5,300	5,300
Policy, Planning & Coordinati	572	-	-	-	-	-	-	-	-	-	-	-	572	572
Peace Corps	2,000	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000
Total	7,872	-	-	-	-	-	-	-	-	-	-	-	7,872	7,872
														0
OFDA Disaster Preparedness	5,500	-	-	-	-	-	-	-	-	-	-	-	5,500	5,500
Other	-	-	-	-	-	54,700	84,797	-	-	28,700	2,460	-	170,657	170,657
P.L.480:														
Reserve	-	-	73,119	175,866	6,300	-	-	-	-	-	-	-	255,285	0
World Food Program	-	-	-	49,457	-	-	-	-	-	-	-	-	49,457	0
Stock Adjustment	-	-	-	(7,472)	-	-	-	-	-	-	-	-	(7,472)	0

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B 05:00 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	OTHER IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Freight Costs	-	-	52,185	199,205	0	-	-	-	-	-	-	-	251,390	0
FY 1991 Funding	-	-	-	(55,793)	-	-	-	-	-	-	-	-	(55,793)	0
Farmer to Farmer	-	-	-	11,420	667	-	-	-	-	-	-	-	12,087	0
PVO Administration	-	-	-	10,000	-	-	-	-	-	-	-	-	10,000	0
Buydown	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Forward Funding	-	-	-	-	-	-	-	-	-	-	-	-	0	0
DOT ReDows	-	-	-	(12,000)	(6,973)	-	-	-	-	-	-	-	(18,973)	0
BILATERAL ASSISTANCE														
Africa	800,000	28,300	22,000	97,769	115,400	-	56,921	-	-	24,500	9,145	-	1,154,035	918,866
Asia	330,112	272,800	45,000	120,608	129,100	14,500	18,661	160,000	0	307,395	11,860	0	1,410,036	1,115,328
Near East	49,299	2,096,000	225,000	23,486	0	2,900	3,938	0	0	3,180,000	6,850	0	5,585,483	5,336,997
Europe	0	118,000	17,500	256	0	400	11,310	400,000	0	793,000	8,440	0	1,348,906	1,331,150
New Independent States	0	0	0	0	0	0	1,135	150,000	0	0	0	0	151,135	151,135
Latin America & Caribbean	406,200	713,900	129,000	97,285	89,100	99,900	26,990	-	-	266,405	13,745	-	1,842,525	1,527,140
Central PL 480	-	-	125,304	370,683	(6)	-	-	-	-	-	-	-	495,981	0
Research & Development	395,283	0	0	0	0	0	0	0	0	0	0	0	395,283	395,283
Food & Humanitarian Assista	56,000	-	-	-	-	-	-	-	-	-	-	-	56,000	56,000
Private Enterprise	26,824	0	0	0	0	0	0	0	0	0	0	0	26,824	26,824
Policy Directorate	7,872	-	-	-	-	-	-	-	-	-	-	-	7,872	7,872
Office of Foreign Disaster Assi	5,500	-	-	-	-	-	-	-	-	-	-	-	5,500	5,500
Other	-	-	-	-	-	54,700	81,046	-	0	28,700	2,460	-	166,906	166,906
														0
Geographic & Central Progras	2,077,000	3,228,000	563,804	710,087	333,594	171,500	200,000	710,000	0	4,600,000	52,500	-	12,646,485	11,039,000
(Development Fund for Afric	"[800,000]	-	-	-	-	-	-	-	-	-	-	-	"[800,000]	"[800,000]
(Andean Narcotics Initiativ	-	"[250,000]	-	-	-	-	-	-	-	-	-	-	"[250,000]	"[250,000]
Debt/Bank	36,000	12,000	0	0	0	0	0	0	0	10,000	-	-	58,000	58,000
Subtotal	2,113,000	3,240,000	563,804	710,087	333,594	171,500	200,000	710,000	0	4,610,000	*******	-	#VALUE!	#VALUE!
											*******			
ASHA	30,000	-	-	-	-	-	-	-	-	-	-	-	30,000	30,000
Disaster Assistance	40,000	-	-	-	-	-	-	-	-	-	-	-	40,000	40,000
Humanit. Relief (McCollum Ai	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Private Sector Direct Loans	0	-	-	-	-	-	-	-	-	-	-	-	0	0
Priv Sector Investment Guara	"[114,000]	-	-	-	-	-	-	-	-	-	-	-	"[114,000]	"[114,000]
Private Sector Direct Loan Su	0	-	-	-	-	-	-	-	-	-	-	-	0	0
Private Sector Guaranty Subs	5,336	-	-	-	-	-	-	-	-	-	-	-	5,336	5,336
Private Sector Invest Admin	1,367	-	-	-	-	-	-	-	-	-	-	-	1,367	1,367
Housing Guaranty Subsidy	16,660	-	-	-	-	-	-	-	-	-	-	-	16,660	16,660
Housing Guaranty Admin	7,000	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
Housing Guarantees Limitatic	"[100,000]	-	-	-	-	-	-	-	-	-	-	-	"[100,000]	"[100,000]
Housing Guaranty Liquidating	43,009	-	-	-	-	-	-	-	-	-	-	-	43,009	43,009
Operating Expenses	483,300	-	-	-	-	-	-	-	-	-	-	-	483,300	483,300

FY 1992 U.S. ECONOMIC AND MILITARY ASSISTANCE - ESTIMATE

(DOLLARS THOUSANDS)

Table 4B 05:00 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	OTHER IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Operating Expenses-IG	37,739	-	-	-	-	-	-	-	-	-	-	-	37,739	37,739
Foreign Service Retirement &	41,351	-	-	-	-	-	-	-	-	-	-	-	41,351	41,351
Miscellaneous Trust Funds	5,000	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Econ Assist Loan Liquidating	(508,014)	0	0	0	0	0	0	0	0	0	0	0	(508,014)	(508,014)
A.I.D. Loan Repayments	(327,645)	-	-	-	-	-	-	-	-	-	-	-	(327,645)	(327,645)
Misc. Trust Funds Receipts	(5,800)	-	-	-	-	-	-	-	-	-	-	-	(5,800)	(5,800)
Total A.I.D.	1,982,303	3,240,000	0	710,087	333,594	-	-	710,000	-	-	-	-	6,975,984	5,932,303
Enterprise for the Americas														
Debt Restructuring	-	-	-	-	-	-	-	309,681	-	-	-	-	309,681	309,681
Multilateral Investment Fur	-	-	-	-	-	-	-	100,000	-	-	-	-	100,000	100,000
Trade & Development Prograr	-	-	-	-	-	-	-	35,000	-	-	-	-	35,000	35,000
Inter-American Foundation	-	-	-	-	-	-	-	28,794	-	-	-	-	28,794	28,794
African Development Foundat	-	-	-	-	-	-	-	14,950	-	-	-	-	14,950	14,950
Peace Corps Trust Fund	-	-	-	-	-	-	1,596	-	-	-	-	-	1,596	1,596
Migration & Refugee Assistan	-	-	-	-	-	-	-	490,557	-	-	-	-	490,557	490,557
Emergency Refugee Fund	-	-	-	-	-	-	-	20,000	-	-	-	-	20,000	20,000
Misc. Trust Funds - DOT	-	-	-	-	-	-	-	5,630	-	-	-	-	5,630	5,630
Misc. Trust Funds - DOT Rece	-	-	-	-	-	-	-	(571)	-	-	-	-	(571)	(571)
Overseas Priv. Invest Corp (OPIC)														
Loan Subsidy & Admin Expe	-	-	-	-	-	-	-	17,230	-	-	-	-	17,230	17,230
(limit on direct loans)	-	-	-	-	-	-	-	[25,000]	-	-	-	-	[25,000]	[25,000]
(limit on guar. loans)	-	-	-	-	-	-	-	[375,000]	-	-	-	-	[375,000]	[375,000]
PL 480 Title I Transportation	0	0	52,185	0	0	0	0	0	0	0	0	0	52,185	0
PL 480 Subsidy	-	-	388,319	-	-	-	-	-	-	-	-	-	388,319	0
Receipts	-	-	-	-	-	-	-	(21,680)	-	-	-	-	(21,680)	(21,680)
Total: Bilateral	1,982,303	3,240,000	440,504	710,087	333,594	171,500	201,596	1,709,691	0	4,610,000	########	-	#VALUE!	#VALUE!
												#VALUE!		0

FY1993 U.S. Economic and Military Assistance -- Request
(Dollars Thousands)

Table 4C
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	DA	ESF	FL 480 TITLE I	FL 480 TITLE II	FL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING FL 480
AFRICA														
Angola	15,000	–	–	10,106	–	–	–	–	–	–	75	–	25,181	15,075
Benin	9,000	–	–	1,843	–	–	1,639	–	–	–	120	–	12,582	10,739
Botswana	6,300	–	–	–	–	–	3,169	–	–	0	425	–	9,894	9,894
Burkina	2,700	–	–	6,134	–	–	–	–	–	–	0	–	8,834	2,700
Burundi	13,500	–	–	–	–	–	998	–	–	–	250	–	14,748	14,748
Cameroon	21,600	–	–	–	–	–	3,731	–	–	–	400	–	25,731	25,731
Cape Verde	2,700	–	–	1,728	–	–	723	–	–	–	150	–	5,299	3,573
Central African Republic	2,700	–	–	–	–	–	2,721	–	–	–	200	–	5,621	5,621
Chad	11,700	–	–	–	0	–	1,582	–	–	1,000	400	–	14,682	14,682
Comoros	0	–	–	–	–	–	699	–	–	–	100	–	799	799
Congo	900	–	0	–	–	–	901	–	–	–	150	–	1,951	1,951
Cote d'Ivoire	6,200	0	10,000	–	–	–	1,119	–	–	–	225	–	17,644	7,644
Djibouti	0	2,000	–	–	–	–	–	–	–	0	250	–	2,250	2,250
Equatorial Guinea	0	–	–	–	–	–	918	–	–	–	130	–	1,048	1,048
Ethiopia	40,000	–	–	39,180		–	–	–	–	–	75	–	79,255	40,075
Gabon	–	–	–	–	15,000	–	2,641	–	–	–	135	–	17,776	2,776
Gambia	8,100	–	–	958		–	1,048	–	–	–	120	–	10,224	9,266
Ghana	25,200	–	–	5,702	10,000	–	1,985	–	–	–	250	–	43,137	27,435
Guinea	23,400	–	–	–	10,000	–	1,404	–	–	–	150	–	34,954	24,954
Guinea-Bissau	7,200	–	–	498		–	1,045	–	–	–	125	–	8,868	8,370
Kenya	17,200	–	–	2,271		–	2,565	–	–	0	1,000	–	23,036	20,765
Liberia	0	0	0	9,664	0	0	0	0	0	0	0	0	9,664	0
Lesotho	[illegible]	–	–	–		–	2,057	–	–	–	100	–	10,257	10,257
Madagascar	[illegible]	–	–	2,332	5,000	–	–	–	–	–	150	–	36,182	28,850
Malawi	[illegible]	–	–	5,601		–	1,764	–	–	0	250	–	32,615	27,014
Mali	29,700	–	–	789	3,300	–	3,887	–	–	–	180	–	37,856	33,767
Mauritania	0	–	–	532		–	2,023	–	–	–	–	–	2,555	2,023
Mauritius	0	0	0	0	0	0	0	0	0	0	75	–	75	75
Mozambique	36,000	–	–	4,795	35,400	–	–	–	–	–	175	–	76,370	36,175
Namibia	6,300	0	–	–		–	1,297	–	–	–	250	–	7,847	7,847
Niger	21,600	–	–	–		–	3,724	–	–	0	300	–	25,624	25,624
Nigeria	17,300	–	–	–		–	1,089	–	–	–	500	–	18,789	18,789
Rwanda	18,000	–	–	764		–	894	–	–	–	120	–	19,778	19,014
Sao Tome	270	–	–	–		–	428	–	–	–	125	–	823	823
Senegal	18,000	0	–	3,945	10,000	–	2,969	–	–	500	606	–	36,309	22,064
Seychelles	0	3,300	–	–		–	416	–	–	–	100	–	3,816	3,816
Sierra Leone	450	–	0	965		–	2,566	–	–	–	300	–	3,981	3,016
Somalia	0	0	0	4,410	0	0	0	0	0	0	0	0	4,410	0
South Africa	80,000	–	–	–		–	–	–	–	–	–	–	80,000	80,000
Sudan	0	–	–	12,603		–	–	–	–	–	0	–	12,603	0
Swaziland	7,200	–	–	–		–	1,330	–	–	–	120	–	8,650	8,650
Tanzania	26,000	–	–	–		–	1,056	–	–	–	150	–	27,206	27,206
Togo	9,000	–	–	3,370		–	3,869	–	–	–	150	–	16,389	12,019

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		DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
	Uganda	33,200	-	-	3,563		-	910	-	-	-	200	-	37,573	34,310
	Zambia	15,000	-	-	-	10,000	-	0	-	-	-	100	-	25,100	15,100
	Zimbabwe	15,000	-	-	-	18,000	-	1,138	-	-	-	300	-	34,438	16,438
	S Africa Regional/SADCC	50,000	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000
	Africa Regional	99,802	14,000	-	-	-	-	-	-	-	11,225	-	-	125,077	125,077
	AEPRP	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000
	REDSO/E	2,118	0	0	0	0	0	0	0	0	0	0	0	2,118	2,118
	REDSO/W	5,410	0	0	0	0	0	0	0	0	0	0	0	5,410	5,410
	Total	775,600	19,300	10,000	120,751	116,700	0	58,970	0	0	12,725	8,980	0	1,123,026	875,575
ASIA															
	Afghanistan Humanitarian	25,000	25,000	-	20,000		-	-	-	-	-	-	-	70,000	50,000
	Bangladesh	50,000	-	-	15,847	67,000	-	-	-	-	-	350	-	133,197	50,350
	Cambodia	12,800	0	-	0		-	-	-	-	-	-	-	12,800	12,800
	Cook Islands	0	0	0	0	0	0	141	0	0	0	0	0	141	141
	Fiji	0	300	-	-		-	1,561	-	-	0	50	-	1,911	1,911
	India	34,000	-	-	77,741	25,000	-	-	-	-	-	345	-	137,086	24,345
	Indonesia	45,600	0	-	6,483	0	-	-	-	-	-	2,300	-	54,383	47,900
	Kiribati	0	0	0	0	0	0	496	0	0	0	0	0	496	496
	Korea	-	-	-	-	-	-	-	-	-	-	300	-	300	300
	Laos	-	-	-	-	-	2,070	0	-	-	-	50	-	2,050	2,050
	Maldives	-	-	-	-	-	-	-	-	-	-	70	-	70	70
	Malaysia	-	-	-	-	-	-	-	-	-	-	800	-	800	800
	Marshall Islands	0	0	0	0	0	0	629	0	0	0	0	0	629	629
	Micronesia	-	-	-	-	-	-	1,829	-	-	-	-	-	1,829	1,829
	Mongolia	3,800	15,000	-	0		-	992	-	-	-	75	-	19,867	19,867
	Nepal	17,500	-	-	-	0	-	2,092	-	-	0	200	-	19,792	19,792
	Pakistan	0	0	50,000	-	0	4,800	886	-	0	0	0	-	55,686	5,686
	Papua New Guinea	-	-	-	-	-	-	1,796	-	-	-	125	-	1,921	1,921
	Philippines	30,000	45,000	20,000	13,092	-	-	892	80,000	-	45,000	2,450	-	236,397	203,305
	Singapore	-	-	-	-	-	-	-	-	-	-	20	-	20	20
	Solomon Islands	-	-	-	-	-	-	868	-	-	-	50	-	1,018	1,018
	Sri Lanka	18,500	-	10,000	-	45,000	-	747	-	-	-	250	-	73,397	17,497
	Thailand	6,000	-	-	2,819	0	4,000	3,572	-	-	-	2,250	-	18,432	15,822
	Tonga	-	-	-	-	-	-	723	-	-	-	50	-	773	773
	Tuvalu	-	-	-	-	-	-	51	-	-	-	-	-	51	51
	Vanuatu	-	-	-	-	-	-	130	-	-	-	50	-	180	180
	Western Samoa	-	-	-	-	-	-	928	-	-	-	50	-	978	978
	ASEAN	3,000	0	-	-	0	-	-	-	-	-	-	-	3,000	3,000
	South Pacific	7,500	10,000	-	-	-	-	0	-	-	-	-	-	17,500	17,500
	Asia Regional	47,025	-	-	-	-	-	-	-	-	-	-	-	47,025	47,025
	S.E. Asia Contingency	0	50,000	0	0	0	0	0	0	0	0	0	0	50,000	50,000
	Total	288,225	145,300	80,000	135,773	137,800	10,800	18,226	80,000	0	45,000	9,835	0	901,159	547,486

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	Table 4C 02:47 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
NEAR EAST															
	Algeria	–	–	–	–	–	–	–	–	–	–	150	–	150	150
	Bahrain	0	0	0	0	0	0	0	0	0	1,000	100	0	1,100	1,100
	Egypt	0	815,000	150,000	–	–	–	–	–	–	1,300,000	1,800	–	2,266,800	2,116,800
	Israel	0	1,200,000	–	–	–	–	–	–	–	1,800,000	–	–	3,000,000	3,000,000
	Jordan	0	30,000	20,000	–	–	–	–	–	–	25,000	2,000	–	77,000	57,000
	Lebanon	4,000	5,000	–	11,597	–	–	–	–	–	–	400	–	20,997	9,400
	Morocco	20,225	12,000	20,000	0	–	–	1,713	–	–	40,000	1,150	–	95,088	75,088
	Oman	0	15,000	–	–	–	–	–	–	–	1,000	110	–	16,110	16,110
	Tunisia	0	10,000	5,000	–	–	–	1,014	–	–	10,000	1,250	–	27,264	22,264
	West Bank/Gaza	0	25,000	–	2,630	–	–	–	–	–	–	–	–	27,630	25,000
	Yemen	6,000	–	10,000	–	–	–	831	–	–	–	–	–	16,831	6,831
	Near East Regional	16,900	6,000	–	–	–	2,000	–	–	–	–	–	–	24,900	24,900
	Total	47,125	2,118,000	205,000	14,227	0	2,000	3,559	0	0	3,177,000	6,960	0	5,573,871	5,354,644
EUROPE															
	Albania	–	–	–	–	–	–	702	–	–	–	75	–	777	777
	Baltics	0	0	0	0	0	0	2,173	0	0	0	150	0	2,323	2,323
	Bulgaria	–	–	10,000	–	–	–	949	–	–	–	100	–	10,949	949
	Cyprus	–	3,000	–	–	–	–	–	–	–	0	–	–	3,000	3,000
	Czech and Slovak Republic	–	–	–	–	–	–	1,669	–	–	–	600	–	2,069	2,069
	Greece	–	–	–	–	–	–	–	–	(315,094)	30,000	300	–	30,300	30,300
	Hungary	–	–	–	–	–	–	2,046	–	–	–	600	–	2,646	2,646
	Malta	–	–	–	–	–	–	66	–	–	–	65	–	131	131
	Poland	–	–	–	–	–	–	2,867	–	–	–	600	–	3,467	3,467
	Portugal	–	0	–	–	–	–	–	–	0	100,000	1,200	–	101,200	101,200
	Romania	–	–	10,000	–	–	–	704	–	–	–	75	–	10,779	779
	Spain	–	–	–	–	–	–	–	–	–	–	300	–	300	300
	Turkey	–	75,000	–	–	–	400	–	–	(63,000)	500,000	3,500	–	578,900	578,900
	Eastern Europe Regional	0	0	0	0	0	0	0	450,000	(258,094)	0	0	0	450,000	450,000
	Total	0	78,000	20,000	0	0	400	10,876	450,000	0	730,000	7,565	0	1,196,841	1,176,841
NEW INDEPENDENT STATES		0	100,000	0	0	0	0	4,975	350,000	0	0	0	0	454,975	454,975
LATIN AMERICA & CARIBBEAN															
	Argentina	–	–	–	–		–	913	–	–	1,000	200	–	2,113	2,113
	Bahamas	–	–	–	–	–	1,200	–	–	–	–	125	–	1,325	1,325
	Belize	6,300	–	–	–		–	980	–	–	500	125	–	7,905	7,905
	Bolivia	25,500	0	–	11,930	20,000	17,000	1,697	–	–	40,000	900	–	117,087	85,157
	Brazil	0	–	–	–		2,500	–	–	–	–	150	–	2,650	2,650
	Chile	0	–	–	–		–	1,087	–	–	0	200	–	1,287	1,287
	Colombia	0	–	–	–		22,000	–	–	–	50,000	2,200	–	82,200	82,200
	Costa Rica	8,000	10,000	10,000	–		–	1,983	–	–	1,000	250	–	31,233	31,233
	Dominican Republic	17,250	5,000	10,000	4,858		–	2,338	–	–	500	700	–	40,646	35,788

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	Table 6C 02:47 PM 25-Feb-92	DA	ESF	FL 480 TITLE I	FL 480 TITLE II	FL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	DIRECT	OTHER MILITARY	TOTAL	TOTAL EXCLUDING FL 480
Ecuador		14,250	-	-	-		2,000	2,706	-	-	5,000	800	-	24,706	24,706
El Salvador		85,000	160,000	30,000	0		-	-	-	-	45,000	1,400	-	286,400	256,400
Guatemala		21,000	10,000	15,000	9,829		3,000	2,748	-	-	0	600	-	61,987	37,158
Guyana		1,600	0	0	-		-	0	-	-	-	50	-	1,730	1,730
Haiti		22,000	15,000	-	12,600		-	0	-	-	0	430	-	50,030	37,430
Honduras		31,600	30,000	-	6,951	14,000	-	3,214	-	-	8,000	1,200	-	93,965	73,014
Jamaica		14,540	15,000	30,000	0		1,000	2,982	-	-	3,000	450	-	68,522	38,522
Mexico		0	-	-	-		27,000	-	-	-	-	520	-	27,520	27,520
Nicaragua		42,000	125,000	0	5,808	17,000	-	682	-	-	-	-	-	190,690	167,682
Panama		8,400	10,000	-	-		-	1,133	-	-	-	-	-	19,533	19,533
Paraguay		0	-	-	-		-	2,012	-	-	500	175	-	2,287	2,287
Peru		26,500	-	-	54,677	28,100	19,000	-	-	-	24,000	740	-	152,017	69,240
Suriname		-	-	-	-	-	-	-	-	-	-	50	-	50	50
Trinidad&Tobago		-	-	-	-	-	-	-	-	-	500	75	-	575	575
Uruguay		-	-	-	-		-	1,012	-	-	500	330	-	1,842	1,842
Venezuela		-	-	-	-	-	1,500	-	-	-	-	175	-	1,675	1,675
Caribbean Regional		20,000	4,400	-	-	-	-	2,499	-	-	3,000	590	-	30,489	30,489
ROCAP		15,120	-	-	-	-	-	-	-	-	-	-	-	15,120	15,120
LAC Regional		68,810	17,000	-	-	-	6,400	-	-	-	-	-	-	91,210	91,210
PACAMS		-	-	-	-	-		-	-	-	-	750	-	750	750
Andean Narcotics Initiative		-	250,000	-	-	-	-	-	-	-	-	-	-	250,000	250,000
Total		396,970	671,400	95,000	105,763	79,100	102,100	27,885	-	-	190,500	12,975	-	1,669,663	1,269,743
RESEARCH & DEVELOPMENT															
Agriculture		29,500	-	-	-	-	-	-	-	-	-	-	-	29,500	29,500
Education		5,775	-	-	-	-	-	-	-	-	-	-	-	5,775	5,775
Energy and Infrastructure		15,000	-	-	-	-	-	-	-	-	-	-	-	15,000	15,000
Environment & Nat Res		17,400	-	-	-	-	-	-	-	-	-	-	-	17,400	17,400
Health		80,000	-	-	-	-	-	-	-	-	-	-	-	80,000	80,000
Nutrition		7,025	-	-	-	-	-	-	-	-	-	-	-	7,025	7,025
Population		140,000	-	-	-	-	-	-	-	-	-	-	-	140,000	140,000
Economic & Institutional Dev		6,500	-	-	-	-	-	-	-	-	-	-	-	6,500	6,500
Center for Univ. Cooper. in De		17,000	-	-	-	-	-	-	-	-	-	-	-	17,000	17,000
Office of Research		9,100	-	-	-	-	-	-	-	-	-	-	-	9,100	9,100
Israel Cooperation		7,500	-	-	-	-	-	-	-	-	-	-	-	7,500	7,500
International Training		3,200	-	-	-	-	-	-	-	-	-	-	-	3,200	3,200
Program Office		400	-	-	-	-	-	-	-	-	-	-	-	400	400
CGIAR		79,500	-	-	-	-	-	-	-	-	-	-	-	79,500	79,500
Women in Development		5,000	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Total		422,900	0	0	0	0	0	0	0	0	0	0	0	422,900	422,900
FOOD & HUMANITARIAN ASSISTANCE															
Food for Peace		6,300	-	-	-	-	-	-	-	-	-	-	-	6,300	6,300
PVC		43,250	-	-	-	-	-	-	-	-	-	-	-	43,250	43,250

FY1993 U.S. Economic and Military Assistance -- Request
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	Table 4C 02:47 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
	Biden Pell	[2,500]	-	-	-	-	-	-	-	-	-	-	-	[2,500]	[2,500]
	Program Mgt Support	462	-	-	-	-	-	-	-	-	-	-	-	462	462
	Total	56,000	-	-	-	-	-	-	-	-	-	-	-	56,000	56,000
PRIVATE ENTERPRISE															
	Finance & Program Managem	1,700	0	0	0	0	0	0	0	0	0	0	0	1,700	1,700
	Investment	1,500	-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
	Emerging Markets	11,050	-	-	-	-	-	-	-	-	-	-	-	11,050	11,050
	International Business Staff	4,700	-	-	-	-	-	-	-	-	-	-	-	4,700	4,700
	Small, Micro & Informal Ent.	18,630	-	-	-	-	-	-	-	-	-	-	-	18,630	18,630
	Housing & Urban Developmen	3,500	-	-	-	-	-	-	-	-	-	-	-	3,500	3,500
	Total	41,080	0	0	0	0	0	0	0	0	0	0	0	41,080	41,080
POLICY DIRECTORATE															
	Evaluation/Development Infa	7,300	0	0	0	0	0	0	0	0	0	0	0	7,300	7,300
	Policy, Planning & Coordinatio	800	0	0	0	0	0	0	0	0	0	0	0	800	800
	Peace Corps	2,000	0	0	0	0	0	0	0	0	0	0	0	2,000	2,000
	Total	10,100	0	0	0	0	0	0	0	0	0	0	0	10,100	10,100
Other		-	-	-	-	-	57,700	93,646	-	-	28,700	1,285	-	181,331	181,331
P.L. 480:															
	Reserve	-	-	63,849	57,000	-	-	-	-	-	-	-	-	120,849	0
	World Food Program	-	-	-	58,700	-	-	-	-	-	-	-	-	58,700	0
	Stock Adjustment	-	-	-	(43,397)	-	-	-	-	-	-	-	-	(43,397)	0
	Freight Costs	-	-	38,250	178,703	0	-	-	-	-	-	-	-	216,953	0
	Initial Payment	-	-	-	-	-	-	-	-	-	-	-	-	0	0
	Farmer to Farmer	-	-	-	11,280	653	-	-	-	-	-	-	-	11,933	0
	PVO Administration	-	-	-	10,000	-	-	-	-	-	-	-	-	10,000	0
	Buydown	-	-	-	-	-	-	-	-	-	-	-	-	0	0
	Forward Funding	-	-	-	-	-	-	-	-	-	-	-	-	0	0
	DOT Refows	-	-	-	(10,000)	(7,653)	-	-	-	-	-	-	-	(17,653)	0
BILATERAL ASSISTANCE															
	Africa	775,600	19,300	10,000	120,751	116,700	-	58,970	-	-	12,725	8,980	-	1,123,026	875,575
	Asia	288,225	145,300	80,000	135,773	137,900	10,800	18,226	80,000	0	45,000	9,835	0	951,159	597,486
	Near East	47,125	2,118,000	205,000	14,227	0	2,000	3,559	0	0	3,177,000	6,960	0	5,573,871	5,354,644
	Europe	0	78,000	20,000	0	0	400	10,876	450,000	0	630,000	7,565	0	1,196,841	1,176,841
	New Independent States	0	100,000	0	0	0	0	4,975	350,000	0	0	0	0	454,975	454,975
	Latin America & Caribbean	399,970	651,400	95,000	105,763	78,100	102,100	27,895	-	-	195,500	12,875	-	1,669,603	1,389,740
	Central PL 480	-	-	102,099	263,286	(7,000)	-	-	-	-	-	-	-	358,385	0
	Research & Development	422,900	-	-	-	-	-	-	-	-	-	-	-	422,900	422,900
	Food & Humanitarian Assistan	56,000	-	-	-	-	-	-	-	-	-	-	-	56,000	56,000
	Private Enterprise	41,080	0	0	0	0	0	0	0	0	0	0	0	41,080	41,080

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(Dollars Thousands)

Table 4C 02:47 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Policy Directorate	10,100	0	0	0	0	0	0	0	0	0	0	0	10,100	10,100
Other	0	–	–	–	–	57,700	93,646	0	0	29,000	1,285	–	181,631	181,631
Geographic & Central Program	2,041,100	3,112,000	512,099	639,800	326,700	173,000	218,146	880,000	0	4,089,225	47,500	–	12,039,570	10,560,971
(Development Fund For Afri	[775,600]	–	–	–	–	–	–	–	–	–	–	–	[775,600]	[775,600]
(Andean Narcotics Init.)	–	[250,000]	–	–	–	–	–	–	–	–	–	–	[250,000]	[250,000]
Deob/Reob	21,500	11,000	0	0	0	0	0	0	0	10,000	0	–	42,500	42,500
Subtotal	2,062,600	3,123,000	512,099	639,800	326,700	173,000	218,146	880,000	0	4,099,225	47,500	–	12,082,070	10,603,471
ASHA	30,000	–	–	–	–	–	–	–	–	–	–	–	30,000	30,000
Capital Projects Fund	100,000	0	0	0	0	0	0	0	0	0	0	0	100,000	100,000
Disaster Assistance	40,000	–	–	–	–	–	–	–	–	–	–	–	40,000	40,000
Humanit. Relief (McCollum An	–	–	–	–	–	–	–	–	–	–	–	–	0	0
Private Sector Direct Loans	[5,000]	–	–	–	–	–	–	–	–	–	–	–	[5,000]	[5,000]
Priv Sector Investment Guara	[114,000]	–	–	–	–	–	–	–	–	–	–	–	[114,000]	[114,000]
Priv Sector Dir. Loan Subsidy	319	0	0	0	0	0	0	0	0	0	0	0	319	319
Priv Sector Guaranty Subsidy	5,346	0	0	0	0	0	0	0	0	0	0	0	5,346	5,346
Priv Sector Invest Admin	1,447	0	0	0	0	0	0	0	0	0	0	0	1,447	1,447
Housing Guaranty Subsidy	16,407	0	0	0	0	0	0	0	0	0	0	0	16,407	16,407
Housing Guaranty Admin	7,000	–	–	–	–	–	–	–	–	–	–	–	7,000	7,000
Housing Guarantees Limitatio	[95,000]	–	–	–	–	–	–	–	–	–	–	–	[95,000]	[95,000]
Housing Guaranty Liquidating	49,637	–	–	–	–	–	–	–	–	–	–	–	49,637	49,637
Operating Expenses	531,000	–	–	–	–	–	–	–	–	–	–	–	531,000	531,000
Operating Expenses-IG	41,456	–	–	–	–	–	–	–	–	–	–	–	41,456	41,456
Foreign Service Retirement &	42,677	–	–	–	–	–	–	–	–	–	–	–	42,677	42,677
Miscellaneous Trust Funds	5,000	–	–	–	–	–	–	–	–	–	–	–	5,000	5,000
EAI liquidations	(266,194)	0	0	0	0	0	0	0	0	0	0	0	(266,194)	(266,194)
A.I.D. Loan Repayments	(330,147)	–	–	–	–	–	–	–	–	–	–	–	(330,147)	(330,147)
Misc. Trust Funds Receipts	(5,800)	–	–	–	–	–	–	–	–	–	–	–	(5,800)	(5,800)
Total A.I.D.	2,330,748	3,123,000	0	639,800	326,700	–	–	880,000	–	–	–	–	7,300,248	6,333,748
Enterprise for the Americas														
Debt Restructuring	–	–	–	–	–	–	–	286,000	–	–	–	–	286,000	286,000
Multilateral Investment Fun	–	–	–	–	–	–	–	100,000	–	–	–	–	100,000	100,000
Trade & Development Progran	–	–	–	–	–	–	–	40,000	–	–	–	–	40,000	40,000
Inter-American Foundation	–	–	–	–	–	–	–	30,960	–	–	–	–	30,960	30,960
African Development Foundati	–	–	–	–	–	–	–	16,905	–	–	–	–	16,905	16,905
Peace Corps Trust Fund	–	–	–	–	–	–	1,458	–	–	–	–	–	1,458	1,458
Migration & Refugee Assistanc	–	–	–	–	–	–	–	550,000	–	–	–	–	550,000	550,000
Emergency Refugee Fund	–	–	–	–	–	–	–	20,000	–	–	–	–	20,000	20,000
Misc. Trust Funds - DOT	–	–	–	–	–	–	–	5,630	–	–	–	–	5,630	5,630
Misc. Trust Funds - DOT Recei	–	–	–	–	–	–	–	(30)	–	–	–	–	(30)	(30)
Overseas Priv. Invest Corp (OPIC)														0

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Table 4C 02:47 PM 23-Feb-92	DA	ESF	PL 480 TITLE I	PL 480 TITLE II	PL 480 TITLE III	NARCS	PEACE CORPS	OTHER ECON	FMF LOANS	FMF GRANTS	IMET	OTHER MILITARY	TOTAL	TOTAL EXCLUDING PL 480
Loan Subsidy & Admin Exper	-	-	-	-	-	-	-	20,438	-	-	-	-	20,438	20,438
(estimate of loan activity)	-	-	0	0	0	0	0	[530,000]	-	-	-	-	[530,000]	[530,000]
PL 480 Title I Transportation	0	0	38,250											

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